EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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 nine months ended September 30, 2024, and to the date of this report. The following management discussion and analysis ("**MD&A**") should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and the December 31, 2023 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 condensed consolidated interim 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 14. 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 November 13, 2024.

BUSINESS OVERVIEW

Exro Technologies Inc. is a leading clean-technology Company focused on developing next generation power-control electronics that expand the capabilities of electric motors and batteries. The Company's innovative motor control and electric propulsion technologies, Coil Driver™ and SEA-Drive®, are designed to bridge the performance-cost gap in e-mobility, while its patented battery control technology, Cell Driver™, supports stationary energy storage for commercial and industrial applications. Together, these solutions accelerate the transition to a circular electrified economy by delivering maximum performance with minimal energy consumption.

Exro's patented technologies enable cost-effective and efficient systems for e-mobility and energy storage. This approach enables the Company to accelerate the development of its partners' commercial trucks and passenger vehicles so they are affordable, perform to real-world requirements, and are easy to scale.

Exro has developed its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships.

KEY HIGHLIGHTS FOR Q3 2024

Exro achieved several strategic objectives in the third quarter of 2024. A summary of select key objectives is included below:

- Delivered 74 e-propulsion systems to blue-chip OEM customers, a 106% increase over Q2 2024 and a new quarterly record
- Achieved record quarterly revenue of approximately $11.0 million, a 108% increase over Q2 2024
- Continued to further exceed targeted bill of material costs and savings of 5% by the end of 2024, recognizing over 18% since closing the merger with SEA Electric on April 5th
- Recognized cumulative annual business cost-savings of more than US$15 million against a 2024 target of US$10 million through head-count reductions, facility closures, and operational efficiencies
- Announced a pilot program integrating the Company's Coil Driver™ inverter technology with Exro's proprietary EV propulsion system that powers SEA 5e, a Class 5 Battery Electric Truck that is built on Hino's Class 5 Rolling Cab Chassis
- On September 16th, 2024 Exro announced that it completed its public offering for proceeds of $25 million
- On September 26th, 2024 Exro announced Stellantis N.V. as its automotive OEM partner, lifting a more than year-long non-disclosure agreement ("NDA").

UPDATE ON SEA ELECTRIC INTEGRATION

On April 5, 2024, Exro completed its merger with SEA Electric. The Company expects this transaction to accelerate its growth trajectory by enabling Exro to deliver electric propulsion systems to top Blue-Chip OEMs as well as further accelerate the deployment of Exro's core disruptive motor and battery control technology. The following is an update on the Company's core strategy and progress on the key milestones of increased revenue, path to profitability, and technology integrations.

The Company made significant progress in the third quarter on several fronts. First, the Company shipped 74 completed e-propulsion systems, which is a quarterly record. Exro also delivered its largest quarterly revenue to date and continued to drive costs savings in both the design of the Coil Driver® and its cost structure.

<u>Merger Synergies</u>

The merger with SEA Electric marked a transformational next step for Exro's core technology offerings as management recognized the significant opportunity in gaining access to top OEM contracts.

The initial deal synergies were motivated by three key pillars:

1. ***Technology Disruption***: Exro's combined technology portfolio created the opportunity to accelerate its commercialization path with the integration into the full SEA-Drive® propulsion system. This integration allows th Company to reduce costs, onshore the manufacturing of critical components in North America, and differentiate from market incumbents by delivering superior performance without compromising on price.
2. ***Consistent Growth***: In-production contracts allowed Exro to quickly recognize material revenue through existing OEM partnerships, leading to steady demand which is expected to drive further scale and efficiencies.
3. ***Path to Profitability***: Management is focused on programs that have a clear path to profitability with top global OEMs in the second half of 2025.

Disrupting with Patented Technology

The merger with SEA Electric offered Exro the opportunity to expand its technology offerings with a new stream of revenue through the SEA-Drive® propulsion systems, while integrating Exro's proprietary Coil Drive® motor control technology into the SEA-Drive® system. This integration allows Exro to differentiate its product through both performance and price. The integration of the Coil Driver® into all series production SEA-Drive® propulsion systems remains on track for the second half of 2025. Once integrated, Exro's USMCA approved technology is estimated to provide over 5% system efficiency while materially reducing system cost by removing the dependencies on mechanical components such as large, oversized motors and batteries, and on-board chargers. The merger has provided Exro the opportunity to integrate the technology and expand to deliver three key technologies to the market:

1 Full electric propulsion systems targeting a turnkey solution that is available now for Class 4-8 commercial trucking OEMs;

2 A traction motor-inverter drive train system where Exro's Coil Driver™ is paired with industry leading motor partners to deliver best-in-class performance commercial trucking; and,

3 A stand-alone traction inverter motor control designed on spec with leading passenger vehicle OEMs.

Business Model - Commercial and passenger vehicle

Exro's transformation includes key shifts in the Company's strategy that provide the foundation for a profitable future through measured growth and scale. In the third quarter, Exro focused on developing partnerships with the top OEMs which it believes will deliver against its core pillars of incremental growth, profitability and technology disruption. In September, Exro announced its leading global automotive OEM partner, Stellantis N.V., as a passenger vehicle innovation program partner – lifting a more than yearlong NDA. This announcement followed approximately fourteen months of work completing the first phase of the program focused on integrating the Exro Coil Driver® technology into Stellantis' next generation powertrains. Exro continues to make additional progress with two other global passenger vehicle OEMs: one involving Coil Driver® for hybrid propulsion system applications and the other OEM program focused on full battery electric. In technical collaborations with this leading OEM involving hybrid, through advanced simulations Exro has successfully demonstrated significant increases in system efficiency and range extension. While the development cycle is longer on passenger vehicles than commercial vehicles, the ability of Exro's technology to operate across multiple electric propulsion systems (hydrogen, hybrid and full battery electric) offers the potential for significant licensing revenue.

On the commercial vehicle front, recent pilot results with Giaffone in Brazil demonstrated Exro's industry leading performance. In on-road pilots with an industry-leading beverage company, a fully loaded 17-tonne commercial electric delivery vehicle equipped with Exro's Coil Driver® successfully navigated an 18% grade at speed.

Exro also continued its development of Coil Driver's™ control of motors that have no heavy rare earth metals. The electrification industry's dependence on heavy rare earth metals is an important concern for OEMs today as it relates to key geopolitical issues. The Company's innovation pipeline supports the need for technology like Coil Driver™ which provides material cost benefits across the vehicle systems and delivers solutions for supply issues like heavy rare earth metals.

Growth and profitability

In Q3 2024, Exro continued to make progress while navigating the initial challenges related to the merger with SEA Electric and the industry backdrop. Specifically, the ordering and delivery of supply chain parts began to return to a normalized run-rate. In the third quarter, Exro achieved record revenue of approximately $11.0 million. Revenue was generated directly from technology sales of 74 e-propulsion systems and driven by investments in Exro's core infrastructure which has both improved the production process and lowered the cost structure. The Company remains focused on driving down additional costs and increasing output while managing program development and efficient cycling and management of cash.

The Company continued its focus on reducing operating expenses by stream-lining its operations and supply chain. At April 5th, 2024 the Company set an annualized operating cost savings target of US$10 million for calendar 2024. Exro is pleased to report that to date the Company has achieved more than US$15 million in cost savings, having reduced its headcount by approximately 35% in the last six months, consolidating facilities, and recognizing operational efficiencies. Additionally, the Company continues to drive down costs related to the bill of materials of its e-propulsion system having recognized more than 18% savings with visibility to an additional 20% by the end of Q2 2025. Finally, the Company also continues to drive costs from the Coil Driver™ design through integrated packaging and by reducing the device footprint and quantity of silicon required, while achieving the same performance. These initiatives are expected to drive Exro toward achieving its target of cash flow profitability in the second half of 2025.

Exro is well-positioned to meet the evolving needs of the EV market. With industry-leading technology, consistent growth in deliveries to blue-chip OEM customers, and a strong focus on profitability, the Company is set to penetrate the commercial truck market and build on this success as it expands into the passenger vehicle segment.

RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

Selected quarterly financial data

	Quarter Ended	Revenue from continuing operations ($'s)	Net Loss ($'s)	Basic and diluted loss per common and preferred share ($'s)	Weighted average number of common and preferred shares
Q3	September 30, 2024	10,975,605	(225,948,223)	(0.43)	524,534,634
Q2	June 30, 2024	5,270,259	(25,207,109)	(0.05)	490,157,725
Q1	March 31, 2024	87,828	(12,867,234)	(0.08)	170,077,862
Q4	December 31, 2023	—	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	—	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	—	(12,995,906)	(0.08)	158,685,036
Q1	March 31, 2023	—	(8,163,404)	(0.05)	149,820,687
Q4	December 31, 2022	—	(12,880,152)	(0.08)	146,217,420

The Company generated revenues for the three months ended September 30, 2024 of $10,975,605 through the delivery of its proprietary SEA Drive®. The Company continues to fulfill its sales and supply agreements with blue-chip OEMs. By prioritizing these programs, Exro has been able to accelerate the integration of its Coil Driver® technology, which is expected to drive additional gross margin from these programs in 2025.

Exro discontinued its engineering services division in the second quarter of 2024 through the sale of assets and the related workforce in the period. With the acquisition of SEA Electric, this division became redundant given a duplication of engineering skill sets acquired with the merger Revenue earned from discontinued operations for the three and nine months ended September 30, 2024 was $3,529 and $2,314,913 respectively. The disposition of the business unit served to reduce operating costs and focus on the Company's delivery of its core products including the Coil Driver® and SEA Drive®.

Further, the Company continues to incur expenses in the progression to volume production, development and validation of its Coil Driver™ and Cell Driver™ through continued testing and development of its products. While the Company continues to focus on R&D with respect to its Coil Driver™ and Cell Driver™, reduced costs were realized in the period as the Company largely procured materials needed for the current development. The Company expects to incur additional costs going forward as the products progress through the integration into its revenue generating programs. The Company incurred a total net loss in for the three months ended September 30, 2024 of $225,948,223 (inclusive of impairment expense), up from $10,694,314 for the three months ended September 30, 2023. The primary increase in costs is related to impairment expense recognized of $211,002,670 on the write-down of goodwill and intangible assets. The Company identified indicators related to the decrease in market capitalization, and revised forecasts. The goodwill and intangible assets were acquired through the acquisition of SEA Electric on April 5, 2024.

The Company saw an increase in its gross profit, before inventory provisions, compared to the second quarter of 2024, along with the increase in revenue generated from the sales of SEA Drive® in Q3 2024. Further, the Company saw non-recurring expenses of $4,579,374 and $7,712 related to transaction costs for the three and nine months ended September 30, 2024 respectively. Additional expenses were incurred on the restructuring, including severance costs, and integration related costs as the Company focuses on integration activities in order to realize synergies between the businesses. The Company recognized higher non-cash costs related to depreciation of $11,100,710 in the period related to the acquisition of intangible assets, offset by gains on the fair value adjustments to the senior secured promissory notes of $2,620,728 and the liability classified warrants of $3,073,586.

For the three months ended September 30, 2024, compared to the three months ended September 30, 2023

Revenue from continuing operations

	For the three months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Revenue	10,975,605	—	10,975,605	100 %
Direct operating costs, excluding amortization	12,630,025	—	12,630,025	100 %
Inventory provision	610,053	—	610,053	100 %
Gross profit, excluding amortization	(2,264,473)	—	(2,264,473)	100 %

Revenue from continuing operations for the three months ended September 30, 2024 of $10,975,605 was generated from the delivery of 74 electric propulsion units, delivered in the US. While revenue was recognized against the delivery of 74 units, the Company continues to build vehicles for delivery into Q4, which included $7,102,797 recognized as work-in-progress as at September 30, 2024.

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. As at September 30, 2024, the Company recognized unearned revenue of $2,722,992, which relates primarily to deposits received in advance from the Company's customers.

Direct operating costs, excluding amortization from continuing operations increased to $12,630,025 for the three months ended September 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units, excluding the amortization related to intangible assets acquired. The Company realized gross profit before inventory provision of $1,654,420 for the three months ended September 30, 2024, representing an increase in gross profit realized from Q2, which was a result of the Company's decrease in additional fees related to expediting of materials, and continued focus reduction in the bill of materials cost through strategic sourcing.

The Company recognized a provision against inventory of $610,053, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment, and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

Selling, general and administration

	For the three months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Selling, general and administration	3,370,888	2,584,827	786,061	30 %

Selling, general and administration expense increased during the three months ended September 30, 2024 by $786,061 to $3,370,888 (September 30, 2023 – $2,584,827). The increase is primarily related to the larger combined Company post merger with SEA Electric and attributable to:

- Higher professional fees incurred in the period, related primarily to tax, legal, and accounting related fees. The fees have increased with the increase in operations through the acquisition of SEA Electric;
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including software and licenses, and computer and internet directly related to the acquisition of SEA Electric in the period;
- Higher travel related expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries;
- Offset by lower office and general expenses such as software and licenses, which is directly linked to the reduction in the prior period, with cost savings realized in Q3.

Payroll and consulting

	For the three months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Payroll and consulting fees	8,067,593	3,554,502	4,513,091	127 %

Payroll and consulting fees increased during the three months ended September 30, 2024 by $4,513,091 to $8,067,593 (September 30, 2023 – $3,554,502). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from merger, which was subsequently reduced through rationalization of duplicate functions. The cost savings related to the reduction in headcount have been realized through the later half of Q3.

The Company focused on restructuring its workforce during the period through the removal of duplicate roles across the business, and the disposal of its engineering services division

Research and development

	For the three months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Research and development	40,013	1,400,796	(1,360,783)	(97)%
Payroll and consulting fees (related to R&D)	1,224,377	1,521,446	(297,069)	(20)%
Share-based payments	3,377	174,020	(170,643)	(98)%
Research and development	1,267,767	3,096,262	(1,828,495)	(59)%

Research and development costs decreased by $1,828,495 to $1,267,767 (September 30, 2023 – $3,096,262) for the three months ended September 30, 2024. The costs are related to those incurred directly in continuing operations. The Company continues to focus on the delivery of its Coil Driver™ and Cell Driver™ through to production. The decrease was seen primarily through the reduction in material costs and outside service fees incurred in the period, coupled with a reduction in payroll related costs related to the reduction in its headcount.

Exro continues to invest in innovation of its core technology, evidenced through successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in 2024 has been on cost out efforts to reduce material costs and packaging size.

For the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023

Revenue from continuing operations

	For the nine months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Revenue	16,333,692	—	16,333,692	100 %
Direct operating costs, excluding amortization	20,804,169	—	20,804,169	100 %
Inventory provision	610,053	—	610,053	100 %
Gross profit, excluding amortization	(5,080,530)	—	(5,080,530)	100 %

Revenue from continuing operations of $16,333,692 was generated from the delivery of 110 electric propulsion units, delivered in the US and Australia.

Direct operating costs, excluding amortization from continuing operations increased from $20,804,169 for the nine months ended September 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units. The Company realized an increase in the gross margin in the period, achieved through the continued cost out efforts and strategic purchasing plan to reduce additional fees related to expediting material purchases.

The Company recognized a provision against inventory of $610,053, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment, and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

Selling, general and administration

	For the nine months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Selling, general and administration	10,956,645	7,488,825	3,467,820	46 %

Selling, general and administration expense increased during the nine months ended September 30, 2024 by $3,467,820 to $10,956,645 (September 30, 2023 – $7,488,825). The decrease is primarily attributable to:

- Increase in professional fees related to the merger with SEA Electric, which closed on April 5, 2024. The increase in professional fees also included higher legal, tax and accounting related costs, along with costs directly related to certifications such as ISO standards and ETL certification to UL standards for the Company's cell Driver™, which was achieved in the first half of 2024.

- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including subscriptions and licenses, insurance expense, and computer and internet directly related to the acquisition of SEA Electric in the period, which have subsequently seen a reduction through Q3 compared to Q2; and
- Higher spend for the nine months ended September 30, 2024 on office and general expenses, primarily related to software and licenses directly linked to the increase in headcount as a result of the merger.

Payroll and consulting

	For the nine months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Payroll and consulting fees	20,364,410	11,222,640	9,141,770	81 %

Payroll and consulting fees increased during the nine months ended September 30, 2024 by $9,141,770 to $20,364,410 (September 30, 2023 – $11,222,640). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from the merger. Payroll and consulting fees included severance payments of $667,411 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

Research and development

	For the nine months ended			
	September 30, 2024	September 30, 2023	$ Change	% Change
Research and development	3,161,526	3,116,983	44,543	1 %
Payroll and consulting fees (related to R&D)	4,432,231	4,330,512	101,719	2 %
Share-based payments	37,428	510,280	(472,852)	(93)%
Research and development	7,631,185	7,957,775	(326,590)	(4)%

Research and development costs decreased by $326,590 to $7,631,185 (September 30, 2023 – $7,957,775) for the nine months ended September 30, 2024. 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. Amounts allocated from payroll remained consistent for the nine months ended September 30, 2024, and are directly related to the Company's delivery on projects and partnerships in order to reach commercialization.
- Increase in direct research and development costs related to higher material costs allocated to research and development in the period as the Company continues to deliver sample units; and
- Additionally the Company increased R&D expenses related to the acquisition of SEA Electric, and ongoing projects inherited through the merger.

Exro continues to invest in innovation of its core technology, evidenced with successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in H1 2024 was on cost out efforts to reduce material costs and packaging size.

RESULTS FROM DISCONTINUED OPERATIONS

On June 14, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc. entity for a cash consideration of $304,872. This resulted in discontinuing the operations and engineering services provided by Exro Vehicle Systems Inc. Exro Vehicle Systems Inc. represents a separate major line of business within the Company, therefore, its results have been classified as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

(a) Results from discontinued operation

The following table summarizes the Company's financial results from discontinued operations:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue	3,529	2,032,669	2,314,913	4,800,730
Cost of sales	2,345	959,594	1,538,050	2,508,252
Gross Profit	**1,184**	**1,073,075**	**776,863**	**2,292,478**
EXPENSES				
Research and development	733	132,346	481,236	393,284
Selling, general and administration	33,137	293,998	218,211	667,086
Depreciation expense	96,509	95,811	299,026	280,275
Interest expense	290	30,427	56,575	102,196
TOTAL EXPENSES	**(130,670)**	**(552,582)**	**(1,055,049)**	**(1,442,841)**
Other income (loss)	207	45,438	135,861	57,946
Gain (Loss) on disposal of assets	154	—	100,776	—
Foreign exchange gain (loss)	1	(93)	608	(2,229)
NET INCOME FROM DISCONTINUED OPERATIONS	**(129,124)**	**565,838**	**(40,941)**	**905,354**

(b) Cash flows from (used in) discontinued operation

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Cash provided by (used in):				
Cash flows from operating activities	382,914	(436,707)	687,055	1,384,334
Cash flows from investing activities	(35,000)	(258,852)	67,691	(825,138)
Cash flows from financing activities	(437,475)	(249,679)	(912,444)	(241,472)
Impact of foreign currency translation	32,422	32,158	36,531	9,811
Net cash flow for the period	**(57,139)**	**(913,080)**	**(121,167)**	**327,535**

OUTSTANDING SHARE DATA

As of November 13, 2024, there were 496,955,582 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of November 13, 2024	Number outstanding as of September 30, 2024
Common shares issued and outstanding	496,955,582	425,169,468
Preferred shares issued and outstanding	94,991,855	160,589,446
Options	13,132,990	13,151,430
Warrants	69,905,510	69,905,510
RSUs	5,223,311	11,411,834
PSUs	663,125	663,125

The Company issued 146,453,200 common shares, 160,589,446 convertible preferred shares, 15,457,723 RSUs, 4,085,873 options, and 53,550,227 warrants in connection with the close of the acquisition of SEA Electric on April 5, 2024. The Company issued an additional 106,600,450 common shares for gross proceeds of $30,020,000, on the conversion of Subscription receipts issued February 16, 2024 to common shares on close of the transaction. On September 13, 2024 the Company issued an additional 71,429,000 common shares for gross proceeds of $25,000,150, including the issuance of 3,571,450 shares issued as a finders fee in connection with the raise. The Company issued 37,500,225 warrants and 2,857,160 broker warrants as part of the equity financing closed on September 13, 2024.

SOURCES AND USES OF CASH

	For the nine months ended	
	September 30, 2024	**September 30, 2023**
Cash used in operating activities	(47,191,396)	(31,073,263)
Cash used in investing activities	(1,948,254)	(6,305,603)
Cash provided by financing activities	56,064,707	39,742,868
Impact of foreign currency translation	876,419	(107,151)
Net increase in cash and cash equivalents	7,801,476	2,256,851
Ending cash balance	14,042,652	19,700,822

Cash used in operating activities increased to $47,191,396 for the nine months ended September 30, 2024 compared to $31,073,263 during the same period in 2023. The increase in cash used in operating activities related to the production and assembly of SEA Drives® in the period, as well as transaction costs incurred as the Company completed the acquisition of SEA Electric. Further the Company saw an increase in payroll expense in the period as a result of the increased headcount while the Company completed various restructuring activities, including a reduction in the workforce of the combined entity. The Company realized a decrease in cash used in operating activities compared to Q2 2024.

Cash used in investing activities of $1,948,254 for the nine months ended September 30, 2024 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 nine months ended September 30, 2024 increased to $56,064,707 compared to cash provided from financing activities of $39,742,868 during the same period in 2023. Cash from financing activities was primarily attributable to the equity raise completed in conjunction the acquisition of SEA Electric and additional raise completed in Q3 2024, and was primarily used to fund operating activities.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company had cash of $14,042,652 and accounts payable of $31,322,781 and accrued liabilities and other payables of $4,608,539 due within one year.

Going Concern Assumption

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, on a going concern basis, which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the nine-month period ended September 30, 2024, the Company generated a net loss of $264,022,566 (September 30, 2023 - $31,853,624) and negative cash flows from operating activities of $47,191,396 (September 30, 2023 - $31,073,263). As at September 30, 2024 the Company has an accumulated deficit of $415,487,328 (December 31, 2023 - $151,464,762) and a working capital surplus (current assets less current liabilities) of $8,226,466 (December 31, 2023 - working capital surplus of $8,303,911) The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of $14,042,652 as at September 30, 2024. The Company has current financial liabilities of $21,330,572 in excess of cash and accounts receivable, and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to September 30, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

On April 5, 2024 the Company closed the plan of arrangement and merger with SEA Electric Inc. ("SEA Electric") (note 5), and a concurrent capital raise of $30,020,000 through the issuance of 31,600,000 common shares. In conjunction with the merger, the Company has taken a number of steps in restructuring its operations in order to reduce the combined operating expenses, including reducing the combined entity's employee headcount through the removal of redundant roles. The Company may be required to take additional restructuring measures in the near term; however, there can be no assurances that any such efforts that have been taken, or may be taken, will sufficiently reduce the Company's operating cash burn, as such, there can be no assurance that the Company will be able to continue as a going concern and continue to pay its obligations and liabilities before they come due.

The Company restructured the senior secured convertible promissory notes (note 12) on July 22, 2024, and secured additional debt financing under the Notes, of US $3.0 million on July 22, 2024 and USD $2.0 million August 19, 2024. Additionally, on September 13, 2024 the Company closed a bought deal financing, raising gross proceeds of $25.0 million to fund short-term working capital.

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 condensed consolidated interim financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

IMPAIRMENT

Intangible assets and goodwill are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its intangible assets and goodwill at each reporting period for indicators of impairment. In addition, management will test the recoverable amount of goodwill annually.

The Company's CGUs are determined based on its production offerings, including Exro SEA Drive, Coil Driver, and Cell Driver. Goodwill of $140,627,301 and intangible assets of $104,855,452 have been allocated to the Exro SEA Drive CGU, which was acquired on April 5, 2024 through the acquisition of SEA Electric. During the period ended September 30, 2024, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, compared to the forecasts at the time of acquisition, as a result of slower adoption rates in the EV industry than originally forecasted. The Company recognizes this is an indicator of impairment, which warrants an assessment of the recoverable amount of its cash generating units ("CGU"). The indicators are directly related to the Exro SEA Drive CGU

The recoverable amount of the CGU was determined based on the fair value less cost of disposal ("FVLCD"). The Company estimated the recoverable amount based on the discounted cash flows to be generated from continuing operations for the Exro SEA Drive CGU. Cash flow assumptions are based on a combination of historical results, and expected future results.

- Expected revenue growth, linked to production volumes
- Expected decrease in cost of production per unit
- Discount rate

Revenue growth rates for the Exro SEA Drive are based on a forecasted production volumes with the Company's OEM customers, incorporating expected pricing and cost improvements and efficiencies over the Company's forecasted period, based on budgets and forecasts reviewed by the Company's Board of Directors. The expected revenue growth rates range from 160% to 24% from 2025 through 2029.

The cash flows are prepared on a five-year basis, using a discount rate of 30%. The discount rate was derived from the Company's weighted average cost of capital, adjusted for specific risk factors to the Company. Cash flows from beyond the five-year period are extrapolated using a constant growth rate of 2.0%, and an annuity period of 20 years.

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of $211,002,670. The Company recognized a write-down of goodwill of $140,971,269, and $70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU is $122,937,929 after impairment.

A sensitivity analysis on the discount rate, and expected future production, would have the following impact on the September 30, 2024 impairment:

	(Increase) Decrease in Impairment Expense
	September 30, 2024
10% increase in forecasted annual production	13,542,269.00
10% decrease in forecasted annual production	(15,935,793.00)
1% increase in discount rate	(4,998,883.00)
1% decrease in discount rate	5,217,291.00

Assumptions that are valid at the time of preparing the impairment test at September 30, 2024 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to its CGUs on an ongoing basis.

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.

On April 5, 2024 the Company completed the acquisition of SEA Electric. The investment balance was recorded at the fair value based on the consideration paid to the former shareholders of SEA, and the amount recognized as part of the consideration paid for the business. As at April 5, 2024 the fair value of shares held in SEA Electric were valued at $56.06 USD per share, based on Exro's closing share price on April 5, 2024 of $0.85, for a total value of US$5,141,810. The amount was recorded at $6,973,067 and included in consideration for the acquisition of SEA Electric.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and nine months ended September 30, 2024.

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.

v. Impairment tests - the Company assesses at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication of impairment exists, the Company determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, technological and economic declines, including the decline in Exro's common share price. Internal triggering events include, for example, lower profitability or planned restructuring.

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.

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's 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.

iv. Business combinations - the acquired assets and assumed liabilities (other than deferred taxes and goodwill) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired, and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired. The income approach has been used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets, discount rates, customer attrition rates and royalty rates. Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill.

v. Impairment tests - if impairment tests are required, the Company's impairment test compares the carrying value of the asset of CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash close expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

PROPOSED TRANSACTIONS

The Company closed its acquisition of SEA Electric on April 5, 2024. There are no other proposed transactions.

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 three and nine months ended September 30, 2024. 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 three and nine months ended September 30, 2024 and September 30, 2023, the following expenses were incurred to the Company's key management:

	For the three months ended		For the nine months ended	
	September 30, 2024	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Payroll and consulting fees	851,376	1,381,010	3,229,234	2,686,183
Share-based payments	48,204	2,016,760	507,653	2,878,138
	899,581	3,397,770	3,736,888	5,564,321

Increase expenses related to key management compensation relate primarily to changes in composition of key management compared to the same period in 2023. Decrease in the three months ended September 30, 2024 relates to bonus paid in the 2023 comparative, which were not accrued in 2024.

FINANCIAL INSTRUMENTS

(a) Fair value

As at September 30, 2024 and September 30, 2023, 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 following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Senior secured promissory note	Level 2
Liability classified warrant	Level 2

(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 September 30, 2024, 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 September 30, 2024, the Company had cash of $14,042,652 and accounts payable of $31,322,781 and accrued liabilities and other payables of $4,608,539 due within one year.

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. Subsequent to the close of the acquisition of SEA Electric on April 5, 2024, no change of control occurred. The debentures have a maturity date of December 31, 2027.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US$62,167,071 ($84,307,874) due on August 19, 2027. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

On April 5, 2024 the Company assumed all liabilities of SEA Electric.

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 September 30, 2024, the Company had the equivalent of $82,893,973 of net financial assets denominated in US dollars, $1,219,830 of net financial liabilities denominated in Euros, and $4,657,035 of net financial liabilities denominated in Australian Dollars.

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.

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.

The Company identified a material weakness in its DC&P during the period ended September 30, 2024, described further below.

Internal Controls Over Financial Reporting

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- 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
- 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.

The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.

Scope limitation

The Company's assessment and conclusion of the effectiveness of DC&P and ICFR excludes controls, policies and procedures of SEA Electric, the control of which was acquired on April 5, 2024. The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit the DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period in question. Results of SEA Electric for the interim period ended September 30, 2024, are included in note 5 to the financial statements.

Identified material weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's condensed consolidated interim financial statements for the interim period ended September 30, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. The Company does not have sufficient accounting and financial reporting personal available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024.

Remediation plan

The Company expects to implement measures to improve its DC&P and ICFR, through adding additional qualified accounting personal with experience in complex accounting matters and financial reporting in accordance with IFRS, engaging consultants to assist with these matters to the extent the Company is able to raise additional capital, and segregating duties across accounting personnel to ensure appropriate and adequate review controls are in place. The material weakness will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

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 statements 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 November 13, 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 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 microchips 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 2024 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 November 13, 2024