UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022 Commission file number 001-40387

THE LION ELECTRIC COMPANY
(Exact name of Registrant as specified in its charter)

Quebec	**3711**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

921 chemin de la Rivière-du-Nord
Saint-Jerome (Quebec) J7Y 5G2
Tel: (450) 432-5466
(Address and telephone number of Registrant's principal executive offices)

CorpoMax Inc.
2915 Ogletown Rd., Suite 2999
Newark, Delaware 19713
(302) 266-8200
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copy to:

François Duquette
Chief Legal Officer and Corporate Secretary
The Lion Electric Company
921 chemin de la Rivière-du-Nord
Saint-Jerome (Quebec) J7Y 5G2
Tel: (450) 432-5466 Ext. 395

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	LEV	New York Stock Exchange
Warrants	LEV.WS	New York Stock Exchange
Common Share Purchase Warrant	LEV.WSA	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The Registrant had **218,079,962** common shares issued and outstanding as of December 31, 2022

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company. ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

EXPLANATORY NOTE

The Lion Electric Company ("**Lion**", "**we**", "**our**", "**us**", "**the Company**") is a Canadian issuer that is permitted, under the multijurisdictional disclosure system (the "**MJDS**") adopted in the United States by the U.S. Securities and Exchange Commission (the "**Commission**"), to prepare this Annual Report on Form 40-F (this "**Annual Report**") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended (the "**Securities Act**"). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder. The Company's common shares are listed on the New York Stock Exchange (the "**NYSE**") and the Toronto Stock Exchange under the trading symbol "LEV".

All amounts presented are in United States dollars unless otherwise indicated.

In this Annual Report, references to "Lion", "we", "our", "us", "the Company" or similar terms refer to The Lion Electric Company and our subsidiaries, on a consolidated basis.

FORWARD LOOKING STATEMENTS

This Annual Report and the documents filed as Exhibits hereto contain "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation and within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act (collectively, "**forward-looking statements**"). Any statements contained in this Annual Report and the documents filed as Exhibits hereto that are not statements of historical fact, including statements about Lion's beliefs and expectations, are forward-looking statements and should be evaluated as such.

The Company's actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements represent the Company's views as of the date they are made. The Company anticipates that subsequent events and developments may cause these views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company has no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent the Company's views as of any date other than the date they are made.

See Lion's annual information form for the year ended December 31, 2022, attached as Exhibit 99.1 to this Annual Report (the "**Lion 2022 AIF**"), under the heading "Cautionary Note Regarding Forward-Looking Statements" and Lion's management's discussion and analysis for the year ended December 31, 2022, attached as Exhibit 99.2 to this Annual Report (the "**Lion 2022 MD&A**"), under the heading "Caution Regarding Forward-Looking Statements," for a discussion of forward-looking statements.

DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under the MJDS, to prepare this report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its consolidated financial statements, which are filed as Exhibit 99.3 to this Annual Report, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and which are not comparable to financial statements of United States companies.

CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

The information provided in the section entitled "Evaluation of Disclosure Controls and Procedures" under the heading "Internal Control over Financial Reporting" contained in the Lion 2022 MD&A is incorporated by reference herein.

B. Management's Annual Report on Internal Controls over Financial Reporting

The information provided in the section entitled "Management's Assessment on Internal Control over Financial Reporting" under the heading "Internal Control over Financial Reporting" contained in the Lion 2022 MD&A is incorporated by reference herein.

C. Changes in Internal Controls over Financial Reporting

The information provided in the section entitled "Changes in Internal Control over Financial Reporting" under the heading "Internal Control over Financial Reporting" contained in the Lion 2022 MD&A is incorporated by reference herein.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers or to the Commission during the fiscal year ended December 31, 2022.

AUDIT COMMITTEE AND AUDIT COMMITTEE FINANCIAL EXPERT

A. Identification of Audit Committee

The Company's board of directors (the "**Board**") has a separately designated standing audit committee (the "**Audit Committee**") established in accordance with Section 3(a)(58)(A) of the Exchange Act and satisfies the requirements of Rule 10A-3 of the Exchange Act. The Company's Audit Committee is composed of three directors, namely Michel Ringuet, Latasha Akoma and Ann L. Payne, all of whom, in the opinion of the Board, are financially literate and meet the independence requirements under the listing standards of the NYSE and under Rule 10A-3 of the Exchange Act.

B. Audit Committee Financial Expert

The Company's Board has determined that it has at least one "audit committee financial expert" serving on its Audit Committee. The Board has determined that each of Michel Ringuet, Latasha Akoma and Ann L. Payne is an "audit committee financial expert," as that term is defined in the Form 40-F, and is independent within the meaning of applicable Commission regulations and the listing standards of the NYSE.

The Commission has indicated that the designation of a person as an "audit committee financial expert" does not make such person an "expert" for any purpose, including, without limitation, for purposes of Section 11 of the Securities Act, impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board in the absence of such designation and does not affect the duties, obligations or liability of any other member of the Audit Committee or Board.

CODE OF ETHICS

The Board has adopted a written code of conduct and ethics (the "**Code of Ethics**") applicable to all directors, officers and employees of the Company, including, without limitation, to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. This Code of Ethics is intended to qualify as a "code of ethics" within the meaning of the applicable rules of the Commission. The Code of Ethics, as amended, is available on the Company's website at ir.thelionelectric.com and on SEDAR at www.sedar.com. Except for the Code of Ethics, and notwithstanding any reference to the Company's website or other websites in this Annual Report or in the documents incorporated by reference herein or attached as Exhibits hereto, no information contained on the Company's website or any other site shall be incorporated by reference in this Annual Report or in the documents incorporated by reference herein or attached as Exhibits hereto.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

A. Principal Accountant Fees

Raymond Chabot Grant Thornton LLP ("**RCGT**") acted as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2022. See the information provided in the section entitled "External Auditor Service Fees" under the heading "Audit Committee Information" contained in the Lion 2022 AIF, which information is incorporated by reference herein, for the total amount billed to the Company by RCGT for certain services rendered to the Company during the last two fiscal years, by category of service (for audit fees, audit related fees, tax fees and all other fees).

B. Pre-Approval Policies and Procedures

See the information provided in the section entitled “Pre-Approval Policies and Procedures” under the heading “Audit Committee Information” contained in the Lion 2022 AIF, which information is incorporated by reference herein, for the Audit Committee’s pre-approval policies and procedures.

The amount of audit-related fees, tax fees and all other fees billed to the Company by RCGT for certain services rendered to the Company during the last two fiscal years are set forth in the section entitled “External Auditor Service Fees” under the heading “Audit Committee Information” contained in the Lion 2022 AIF. All such fees have been pre-approved by the Audit Committee and therefore none of the services in consideration of which such fees were charged were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(c) of Rule 2-01 of Regulation S-X.

The percentage of hours expended on RCGT’s engagement to audit the Company’s financial statements for the year ended December 31, 2022 that were attributed to work performed by persons other than RCGT’s full-time, permanent employees does not exceed 50 percent.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any commitments or obligations, including contingent obligations, arising from arrangements with unconsolidated entities or persons that have or are reasonably likely to have a material current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Information regarding our material cash requirements from known contractual and other obligations is included in the section entitled “Maturity analysis of contractual obligations” under the heading “Liquidity and Capital Resources” contained in the Lion 2022 MD&A.

MINE SAFETY DISCLOSURE

Not Applicable.

CORPORATE GOVERNANCE

The NYSE Listed Company Manual includes certain accommodations in the corporate governance requirements that allow foreign private issuers, such as Lion, to follow “home country” corporate governance practices in lieu of the otherwise applicable corporate governance standards of the NYSE. The application of such exceptions requires that Lion disclose any significant ways in which its corporate governance practices differ from the NYSE Listed Company Manual that it does not follow. From time to time, Lion intends to follow Canadian corporate governance practices, including with respect to certain independence criteria as well as the composition of Board committees. As of the date hereof, Lion follows Canadian corporate governance practices in respect of the requirement under the NYSE Listed Company Manual that a compensation committee be comprised solely of independent directors, and the requirement under the NYSE Listed Company Manual that director nominees be selected or recommended for selection by a nominations committee comprised solely of independent directors.

If at any time Lion ceases to be a foreign private issuer, Lion will take all action necessary to comply with the Commission and NYSE rules, including by having compensation and nominating committees that are comprised solely of independent directors, subject to a permitted “phase-in” period.

The NYSE Listed Company Manual generally requires that a listed company’s by-laws provide for a quorum for any meeting of the holders of the company’s voting shares that is sufficiently high to ensure a representative vote. Pursuant to the NYSE Listed Company Manual, Lion, as a foreign private issuer, has elected to comply with practices that are permitted under Canadian securities laws in lieu of the provisions of NYSE. Lion’s by-laws provide that a quorum of shareholders shall be at least two holders present in person or represented by proxy who, together, hold not less than 25% of the votes attaching to Lion’s outstanding shares entitled to be voted at the meeting. Lion may in the future decide to use other foreign private issuer exemptions with respect to some of the other NYSE Listed Company Manual rules. Following Lion’s home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on the NYSE, may provide less protection than is accorded to investors under the NYSE Listed Company Manual rules applicable to U.S. domestic issuers.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the Registrant shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the Registrant.

EXHIBIT INDEX

This Annual Report on Form 40-F and Exhibits 99.1, 99.2 and 99.3 included with this report are hereby incorporated by reference as exhibits to the registrant's Registration Statement on Form F-10 (File No. 333-265627), as amended and supplemented and to be a part thereof from the date on which this report is submitted, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit Number	Description of Exhibit
99.1	Annual Information Form for the year ended December 31, 2022
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2022
99.3	Audited Consolidated Financial Statements for year ended December 31, 2022
99.4	Certification of Chief Executive Officer
99.5	Certification of Chief Financial Officer
99.6	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of Raymond Chabot Grant Thornton LLP
101	Interactive Data File (formatted as Inline XBRL)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 10, 2023	**THE LION ELECTRIC COMPANY**	
	By:	/s/ Nicolas Brunet
	Name:	Nicolas Brunet
	Title:	Executive Vice President & Chief Financial Officer

The Lion Electric Company

Annual Information Form for the Year Ended

December 31, 2022

March 9, 2023

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1. Explanatory Notes

Unless otherwise noted or the context otherwise requires, the information provided in this annual information form (the "**Annual Information Form**") is stated as at March 9, 2023, the date of this Annual Information Form, and references to "Lion", "we", "our", "us", "the Company" or similar terms refer to The Lion Electric Company and its subsidiaries, on a consolidated basis.

All amounts presented are in United States dollars unless otherwise indicated.

The Company has one reportable operating segment, the manufacturing and sales of electric vehicles in Canada and in the United States.

Certain figures, such as interest rates and other percentages included in this Annual Information Form, have been rounded for ease of presentation. Percentage figures included in this Annual Information Form have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this Annual Information Form may vary slightly from those obtained by performing the same calculations using the figures in the Company's audited condensed consolidated financial statements for the year ended December 31, 2022 or in the associated text. Certain other amounts that appear in this Annual Information Form may similarly not sum due to rounding.

All references to "fiscal 2022" are to the Company's fiscal year ended December 31, 2022, to "fiscal 2021" are to the Company's fiscal year ended December 31, 2021 and to "fiscal 2020" are to the Company's fiscal year ended December 31, 2020.

2. Cautionary Note Regarding Forward-Looking Statements

This Annual Information Form contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws and within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking statements**"). Any statements contained in this Annual Information Form that are not statements of historical fact, including statements about Lion's beliefs and expectations, are forward-looking statements and should be evaluated as such.

Forward-looking statements may be identified by the use of words such as "believe," "may," "will," "continue," "anticipate," "intend," "expect," "should," "would," "could," "plan," "project," "potential," "seem," "seek," "future," "target" or other similar expressions and any other statements that predict or indicate future events or trends or that are not statements of historical matters, although not all forward-looking statements may contain such identifying words. These forward-looking statements include statements regarding the Company's order book and the Company's ability to convert it into actual sales, the expected production capacity of the Company's manufacturing facilities, the capital expenditures expected to be incurred in connection with the Company's U.S. manufacturing facility project and the Company's battery plant and innovation center project in Quebec, the sourcing of lithium-ion battery cells, the Company's U.S. manufacturing facility project and the Company's battery plant and innovation center project in Quebec, the Company's future growth and long-term strategy, an ongoing arbitration proceeding with one of the Company's suppliers, the Company's expected product pipeline and the launch and commercial production of certain platforms and models. Such forward-looking statements are based on a number of estimates and assumptions that Lion believes are reasonable when made, including that Lion will be able to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners, that Lion will continue to operate its business in the normal course, that Lion will be able to implement its growth strategy, that Lion will be able to successfully and timely complete the construction of, and successfully and timely establish its operations and ramp-up manufacturing capacity at, its U.S. manufacturing facility and its Quebec battery plant and innovation center, that Lion will not suffer any supply chain challenges or any material disruption in the supply of raw materials on competitive terms, that Lion will be able to maintain its competitive position, that Lion will continue to improve its operational, financial and other internal controls and systems to manage its growth and size, that Lion will be able to benefit, either directly or indirectly (including through applications made by the Company and/or its clients), from governmental subsidies and incentives, and that Lion will be able to secure additional

funding through equity or debt financing on terms acceptable to Lion and in the amounts needed when required in the future. Such estimates and assumptions are made by Lion in light of the experience of management and their perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Lion believes that these risks and uncertainties include the following:

- any adverse changes in U.S. or Canadian general economic, business, market, financial, political or legal conditions, including as a consequence of the ongoing uncertainties relating to inflation and interest rates;
- any inability to ramp-up the production of Lion's products and meet project milestones and timelines;
- any inability to meet its customers' business needs;
- any inability to successfully and economically manufacture and distribute its vehicles at scale;
- any unavailability, reduction, discriminatory application, delay in processing or elimination of governmental programs, subsidies or economic incentives due to policy changes, government regulation or otherwise;
- any inability to execute the Company's growth strategy;
- any adverse effects of current military conflict between Russia and Ukraine, which continues to affect economic and global financial markets and exacerbate ongoing economic challenges;
- any unfavorable fluctuations and volatility in the availability or price of raw materials included in components used to manufacture the Company's products, including battery cells, modules and packs;
- the reliance on key suppliers and any inability to maintain an uninterrupted supply of raw materials;
- the outcome of any legal proceedings that may be instituted by or against the Company from time to time, including the ongoing matter relating to supply of battery packs from Romeo (as defined below);
- any inability to reduce total cost of ownership of electric vehicles sold by the Company over time;
- the reliance on key management and any inability to attract and/or retain key personnel;
- labor shortages (including as a result of employee departures, turnover, and demands for higher wages) which may force the Company to operate at reduced capacity, to lower its production and delivery rates or lower its growth plans, and could pose additional challenges related to employee compensation;
- any inability to meet the expectations of the Company's customers in terms of products, specifications, and services;
- any inability to maintain the Company's competitive position;
- any inability to reduce the Company's costs of supply over time;
- any inability to maintain and enhance the Company's reputation and brand;
- any significant product repair and/or replacement due to product warranty claims or product recalls;
- any failure of information technology systems or any cybersecurity and data privacy breaches or incidents;
- any event or circumstance resulting in the Company's inability to convert its order book into actual sales, including the unavailability, reduction, discriminatory application, delay in processing or elimination of government programs, subsidies and economic incentives;
- any inability to raise additional funds to meet its capital requirements and pursue its growth strategy when and in the amounts needed;
- any inability to secure adequate insurance coverage or a potential increase in insurance costs; and

- natural disasters, epidemic or pandemic outbreaks, boycotts and geo-political events such as civil unrest and acts of terrorism, the current military conflict between Russia and Ukraine or similar disruptions.

These and other risks and uncertainties related to the businesses of Lion are described in greater detail in section 23.0 of the Company's fiscal 2022 management discussion and analysis ("**MD&A**") entitled "Risk Factors." Many of these risks are beyond Lion's management's ability to control or predict. All forward-looking statements attributable to Lion or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained herein and risk factors identified in the Company's fiscal 2022 MD&A and in other documents filed with the applicable Canadian regulatory securities authorities and the Securities and Exchange Commission (the "**SEC**").

Because of these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under applicable securities laws, Lion undertakes no obligation, and expressly disclaims any duty, to update, revise or review any forward-looking information, whether as a result of new information, future events or otherwise.

3. Market and Industry Data

Industry and market data presented in this Annual Information Form was obtained from third-party sources and industry reports, and from publications, websites and other publicly available information, as well as industry and other data prepared by the Company or on their behalf on the basis of the Company's knowledge of the markets in which it operates, including information provided by suppliers, partners, customers and other industry participants.

The Company believes that the market and economic data presented in this Annual Information Form is accurate and, with respect to data prepared by the Company or on their behalf, that the Company's estimates and assumptions, as applicable, are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented in this Annual Information Form are not guaranteed. The Company makes no representation or warranty, express or implied, as to the accuracy of such data. The Company's management estimates are based on internal research, their knowledge of the relevant market and industry and extrapolations from third-party sources. While the Company is not aware of any misstatements regarding the industry and market data presented in this Annual Information Form, such data involve risks and uncertainties and are subject to change based on various factors, including those factors discussed under the section entitled "Cautionary Note Regarding Forward-Looking Statements." The Company has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

4. Corporate Structure

4.1 Incorporation and Other Information

The Company was incorporated under the *Business Corporations Act* (Quebec) ("**QBCA**") on July 28, 2008 under the name "Lion Buses Inc." Over the years, the Company's articles were amended in order to, among other things, amend the terms and conditions of Lion's share capital in connection with investments made by investors, including the investment made by Power Energy Corporation ("**Power Energy**" or "**PEC**"), a wholly-owned subsidiary of Power Sustainable Capital Inc., in October 2017, which resulted in Lion's authorized share capital being amended to provide for only one class of common shares. On November 24, 2020, Lion filed articles of amendment to change its name to The Lion Electric Company.

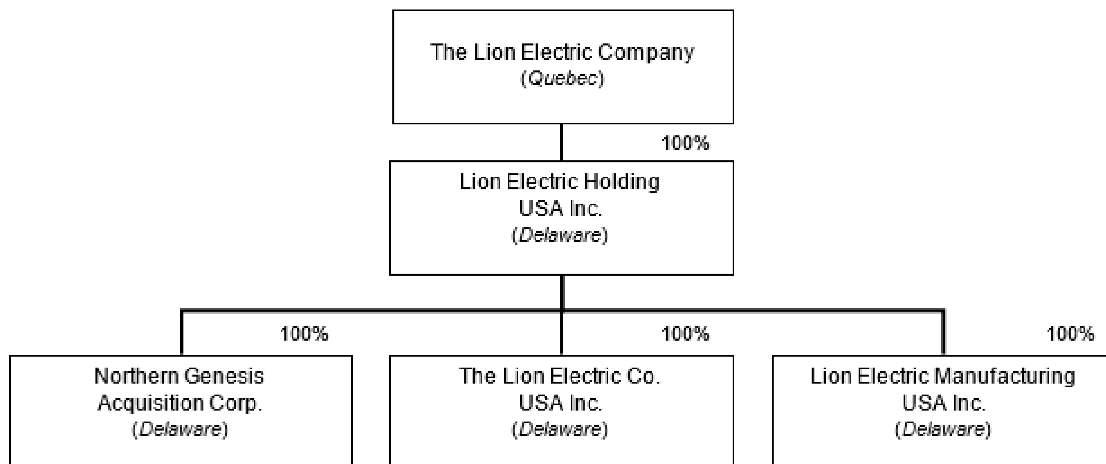
On May 6, 2021, in connection with closing of the Company's business combination and plan of reorganization (the "**Business Combination**"), which resulted in a wholly-owned subsidiary of Lion merging with Northern Genesis Acquisition Corp. ("**NGA**"), a publicly traded special purpose acquisition company, the Company's articles of incorporation were amended and restated (the "**Articles**"), the

Company adopted new by-laws and the Company completed a share split of 1:4.1289. On May 7, 2021, the common shares of the Company (the “**Common Shares**”) began trading on the New York Stock Exchange (“**NYSE**”) and the Toronto Stock Exchange (“**TSX**”) under the ticker symbol “LEV.”

The Company’s head and registered office is located at 921 chemin de la Riviere-du-Nord, Saint-Jerome, Quebec, Canada J7Y 5G2, and its telephone number is (450) 432-5466.

4.2 Intercorporate Relationships

The following organization chart indicates the inter-corporate relationships of the Company and its material subsidiary entities together with the jurisdiction of formation or incorporation of the various entities as at the date hereof:



Certain subsidiaries of the Company, each of which represented not more than 10% of the consolidated assets and not more than 10% of the consolidated revenue of the Company, and all of which, in the aggregate, represented not more than 20% of the total consolidated assets and the total consolidated revenue of the Company as at the date hereof, have been omitted.

5. General Development of the Business

5.1 Fiscal 2022 Developments

Production of First Lithium-ion Battery Pack

In December 2022, following the completion of the transfer of a first portion of the Company’s battery assembly line from JR Automation’s facility in Troy, Michigan (where the Company had previously produced and tested prototype battery packs) to the Company’s battery manufacturing facility and innovation center in Mirabel, Quebec (the “**Lion Campus**”), the Company completed production of its first lithium-ion battery pack at the Lion Campus. Final certification of the first battery pack model is expected in the first half of 2023, followed by a gradual ramp-up of production at the Lion Campus in 2023. See “Lion Campus” in section 8.0 of the Company’s fiscal 2022 MD&A entitled “Operational Highlights.”

Assembly and Delivery of First Zero-Emission LionC School Bus from Joliet Facility

On November 2, 2022, following the installation of school bus production stations at its production facility in Joliet, Illinois (the “**Joliet Facility**”), the Company completed the assembly of its first zero-emission LionC school bus at its Joliet Facility. Further, on December 19, 2022, the Company completed the delivery of its first LionC bus funded by the U.S. Environmental Protection Agency’s (the “**EPA**”) Clean

School Bus Program to Mount Desert Island Regional School System in Bar Harbor, Maine. Mount Desert received a U.S. manufactured Lion bus built at the Company's Joliet Facility. See "Joliet Facility" in section 8.0 of the Company's fiscal 2022 MD&A entitled "Operational Highlights."

December 2022 Units Offering

On December 16, 2022, the Company closed a public offering (the "**December 2022 Offering**") of units in the United States and Canada, pursuant to which the Company issued 19,685,040 units (the "**Units**"), at a price of $2.54 per Unit. Each Unit consisted of one Common Share and one common share purchase warrant (each, a "**2022 Warrant**"). Each whole 2022 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 per share for a period of five years ending on December 15, 2027, subject to adjustment in certain customary events. On January 17, 2023, the Company announced the full exercise and closing of the underwriters' over-allotment option, which resulted in the Company issuing and selling to the underwriters an additional 2,952,755 Units at a price of $2.54 per Unit. The December 2022 Offering resulted in aggregate gross proceeds to the Company of approximately $57.5 million before underwriting commissions and offering costs.

Multi-Year Cell Supply Agreement

On November 22, 2022, the Company entered into a four-year supply agreement for the supply of lithium-ion battery cells (the "**Cell Supply Agreement**") to be used for the manufacturing of batteries for electric vehicles. Subject to the terms and conditions of the Cell Supply Agreement, the supplier thereunder has committed to supply, and the Company has committed to purchase, on a non-exclusive basis, lithium-ion battery cells at escalading volumes over calendar years 2023 and 2024, at agreed upon prices, subject to adjustments, including to account for changes in the prices of raw materials and changes in specifications. Volumes and unit prices for calendar years 2025 and 2026 remain to be agreed upon by the parties. The Cell Supply Agreement currently provides that 39 million lithium-ion battery cells are to be purchased by the Company in total over calendar years 2023 and 2024. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

Finalta-CDPQ Loan Agreement

On November 8, 2022, the Company entered into a loan agreement (the "**Finalta-CDPQ Loan Agreement**") with Finalta Capital Fund, L.P. ("**Finalta**"), as lender and administrative agent, and Caisse de dépôt et placement du Quebec (through one of its subsidiaries), as lender, to finance certain refundable tax credits and grants under government programs. The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of C$30 million ($22.2 million), and bears interest at the rate of 10.95% per annum. An aggregate amount of $22.2 million (C$30 million) was advanced under the Finalta-CDPQ Loan Agreement on November 8, 2022 upon entering into of the agreement. A portion of the advances made under the Finalta-CDPQ Loan Agreement was used to repay in full the Company's previous credit facilities entered into with Finalta on May 6, 2021. See "Finalta-CDPQ Loan Agreement" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

Filing of Base Shelf Prospectus and Establishment of ATM Program

On June 17, 2022, the Company filed a final short form base shelf prospectus in all provinces and territories of Canada allowing the Company to offer, issue and sell, from time to time, common shares, preferred shares, debt securities, warrants, subscription receipts, and units comprised of one or more of any of the other securities described in the prospectus, or any combination of such securities, for up to an aggregate offering price of $350 million (or its equivalent in Canadian dollars or any other currencies), in one or more transactions during the 25-month period that the prospectus remains effective. In connection therewith, the Company filed a registration statement on Form F-10 with the United States Securities and Exchange Commission.

On the same date, the Company established an "at-the-market" equity program ("**ATM Program**") that allows the Company to issue and sell, from time to time in Canada and the United States through a syndicate of agents, newly issued Common Shares, for an aggregate offering amount of up to $125

million (or the Canadian dollar equivalent), at the Company's discretion. During the year ended December 31, 2022, the Company issued 8,346,789 Common Shares pursuant to the ATM Program for aggregate gross proceeds of $31.2 million.

First ESG Report

In May 2022, Lion released its first annual Environmental, Social and Governance ("**ESG**") report, a document that provides an overview of the Company's priorities, as it advances the management of its ESG risks and opportunities. The report contains disclosures recommended in the Industrial Machinery & Goods and Automobiles standards developed by the Sustainability Accounting Standards Board (SASB) and the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).

Board Changes

During the second quarter of 2022, Ms. Latasha Akoma and Mr. Dane L. Parker were appointed to the Board of Directors of Lion as independent Directors. Ms. Akoma is Operating Partner at GenNx360 Capital Partner, and Mr. Parker is Retired Chief Sustainability Officer and Vice President, Sustainable Workplaces at General Motors. During the first quarter of 2022, Mr. Christopher Jarratt resigned from the Board of Directors of Lion.

Amendment to Credit Agreement with Banking Syndicate

On January 25, 2022, the Company amended the credit agreement it entered into on August 11, 2021, in order to, among other things, increase the maximum principal amount available thereunder. See "Credit Agreement with Banking Syndicate" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

5.2 Fiscal 2021 Developments

Credit Agreement with Banking Syndicate

On August 11, 2021, the Company entered into a new credit agreement with a syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec (as amended, the "**Revolving Credit Agreement**"), which provides for a revolving credit facility available for use to finance working capital and for other general corporate purposes.. See "Credit Agreement with Banking Syndicate" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

Financing Agreements with Strategic Innovation Fund (SIF) of the Government of Canada and Investissement Quebec

On August 19, 2021, the Company entered into an unsecured non-interest bearing loan agreement with the Strategic Innovation Fund (SIF) of the Government of Canada relating to the construction of the Lion Campus and which provides for financing of up to C$49,950,000, of which up to 30% of the amount disbursed may be forgiven subject to the satisfaction of certain criteria tied to the Company and to the operations of the battery manufacturing plant and innovation center facilities. See "Financing Agreement with Strategic Innovation Fund of the Government of Canada" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

On July 1, 2021, the Company entered into an interest-bearing secured loan agreement with Investissement Quebec relating to the construction of the Lion Campus and which provides for financing of up to C$50,000,000, of which up to 30% of the amount disbursed may be forgiven subject to the satisfaction of certain criteria tied to the Company and to the operations of the battery manufacturing plant and innovation center facilities. See "Financing Agreement with Investissement Quebec" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

Selection of Joliet Facility and Lion Campus

On June 3, 2021, the Company announced that its upcoming battery manufacturing plant and innovation center would be located at the YMX International Aerocity of Mirabel, Quebec. On May 7, 2021, the Company announced that that it had selected Joliet, Illinois for the construction of its U.S. manufacturing facility. See section 8.0 of the Company's fiscal 2022 MD&A entitled "Operational Highlights."

Finalta Loan Agreement

On May 6, 2021, Lion entered into a new loan agreement with Finalta amending and restating in their entirety the two loan agreements that had previously been entered into with Finalta, as lender, to finance certain refundable tax credits and grants under government programs. Amounts outstanding under the May 2021 loan agreement, which provided for a combined loan facility of up to a principal amount of approximately C$13.5 million, were repaid in November 2022 using a portion of the advances made under the Finalta-CDPQ Loan Agreement.

Closing of the Business Combination and PIPE Financing

On May 6, 2021, the Company successfully completed its Business Combination and its concurrent private placement of 20,040,200 Common Shares (the "**PIPE Financing**"), which were initially announced on November 30, 2020. At closing of the Business Combination, each outstanding share of NGA's common stock held by an NGA stockholder was exchanged on a one-for-one basis for one newly issued Common Share, and each outstanding warrant to purchase common stock of NGA was converted into a warrant to acquire one Common Share (each, a "**Business Combination Warrant**"). Following the closing of the Business Combination and the PIPE Financing, the Common Shares began trading on the TSX and on the NYSE under the new symbol "LEV", and the Business Combination Warrants began trading on the TSX under the new symbol "LEV.WT" and on the NYSE under the new symbol "LEV WS." See section 7 of this Annual Information Form entitled "Description of Capital Structure."

Board and Executive Changes

In the third quarter of fiscal 2021, Mr. Lorenzo Roccia, Chair of Transatlantic Holdings, an international financial holding company, was appointed to the Board of Directors of Lion as an independent Director. In the third quarter of fiscal 2021, Mr. Ian Robertson resigned from the Board of Directors of Lion.

During the first quarter of fiscal 2021, Mr. Francois Duquette was named Chief Legal Officer and Corporate Secretary. During the second quarter of fiscal 2021, Mr. Brian Piern was named Chief Commercial Officer (CCO) of the Company, Mr. Francois Beaulieu was named Chief Information Officer (CIO) of the Company and Mr. Rocco Mezzatesta was named Senior Vice-president – Product Development and Vehicle Engineering of the Company. During the third quarter of fiscal 2021, Ms. Nathalie Giroux was named Chief People Officer of the Company.

5.3 Fiscal 2020 Developments

Business Combination Transaction and PIPE Financing

On November 30, 2020, Lion entered into the business combination agreement and plan of reorganization with NGA and concurrently entered into subscription agreements with subscribers with respect to the PIPE Financing. The Business Combination closed on May 6, 2021. See "Closing of the Business Combination and PIPE Financing" under section 5.2 of this Annual Information Form entitled "Fiscal 2021 Developments."

Contractual Arrangements with Affiliates of Amazon.com, Inc.

The Company entered into a master purchase agreement effective June 29, 2020 and a work order effective July 6, 2020 (collectively, the "**MPA**") with Amazon Logistics, Inc. (the "**Specified Customer**") that sets the framework for the purchase of Lion6 and Lion8 Tractor all-electric trucks. See "Master

Purchase Agreement with Amazon Logistics, Inc." under section 16 of this Annual Information Form entitled "Material Contracts."

On July 1, 2020, in connection with the entering into of the MPA, the Company issued a warrant to purchase Common Shares to Amazon.com NV Investment Holdings LLC which vests, subject to the terms and conditions contained therein, based on the aggregate amount of spending by Amazon.com, Inc. and its affiliates on the Company's products or services. See "Specified Customer Warrant" under section 7 of this Annual Information Form entitled "Description of Capital Structure."

Financings with Investissement Quebec

In March and September 2020, the Company completed two separate financings through the issuance of convertible debt instruments to Investissement Quebec in the aggregate principal amount of C$25,000,000. Both instruments were repaid in full by Lion in connection with the closing of the Business Combination and the PIPE Financing.

6. Business of the Company

6.1 Overview

Lion's business focuses on the design, development, manufacturing, and distribution of all-electric medium- and heavy-duty urban vehicles ("**EV**"). Each Lion vehicle is purpose-built for electric and entirely designed and assembled in-house, with its own chassis, truck cabin or bus body, proprietary battery technology with modular energy capacity and Lion software integration. Lion's vehicles are assembled without relying on traditional combustion-engine vehicle retrofitting or third-party integrators. For certain specialized truck applications, Lion has also established partnerships and other relationships with third-party suppliers to enable it to offer to its clients a variety of vehicle configurations, upfit equipment options and applications which range from classic boxes for box trucks to other specialized applications such as all-electric ambulances, bucket trucks, utility trucks and refuse collection trucks.

Lion currently relies on third-party battery suppliers to source battery cells and packs that it integrates in its vehicles. In connection with the establishment of its manufacturing operations at the Lion Campus, Lion plans on manufacturing its own battery modules and packs that will integrate 21700 cylindrical battery cells sourced from third-party suppliers. Lion intends to continue in certain instances to rely on third-party suppliers for battery packs. By producing battery-packs in-house, Lion expects to increase optimization for product design, cost and production efficiency.

Lion has more than 12 years of focused all-electric vehicle research and development ("**R&D**"), manufacturing and commercialization experience. Lion's vehicles and technology benefit from over 10 million miles driven by more than 950 of its purpose-built all-electric vehicles that are on the road today, in real-life operating conditions.

Lion's medium and heavy-duty EVs are specifically designed to address the needs of the sub-250 mile (or 400-km) mid-range urban market, which is generally viewed as well suited for electrification given vehicles are typically driven over a relatively modest distance and return to base at the end of every workday. Mid-range EV applications require less battery capacity, generally resulting in a lower vehicle cost, allowing for a suitable payload, and avoiding the need for an extensive charging station network alongside vehicle routes, all of which are viewed as contributing to a suitable use case and provide the potential for favorable economics when compared to incumbent diesel solutions.

Lion complements its product offering with various services available on-site at Lion's Experience Centers, including sales support, full-service training, charging infrastructure assistance and maintenance support. See "The Lion Ecosystem" below.

6.2 Products and Solutions

Urban Trucks

Current Line-Up

Lion's current line-up of purpose-built all-electric trucks can be divided into four main platforms, based on gross vehicle weight rating (GVWR). For each platform, Lion offers several range options with a view to meet customers' needs and facilitate route planning.

LION5

LION6

LION8

LION8

Tractor

	Lion5	Lion6	Lion8	Lion8T
GVWR[(1)]	Up to 24,000 lb	Up to 26,000 lb	Up to 60,000 lb	Up to 110,000 lb
Estimated Power and Battery Capacity	Power: Up to 335 HP Battery: Up to 210 kWh	Power: Up to 335 HP Battery: Up to 252 kWh	Power: Up to 470 HP Battery: Up to 252 kWh	Power: Up to 670 HP Battery: Up to 630 kWh
Commercial Production[(2)]	× (Expected 2023)	✓	✓	× (Expected 2023)[(3)]
Deliveries Made to Date	×	✓	✓	×

[(1)] Gross vehicle weight rating, which refers to the maximum weight a vehicle is designed to carry including the net weight of the vehicle with accessories, plus the weight of passengers, fuel and cargo.
[(2)] The Company has substantially completed the development phase for the Lion5 and Lion8T, and it expects that its remaining development efforts will be limited to the introduction of product enhancements and new features, final battery integration as well as any final adjustments required to obtain final key certifications and commence vehicle production on the assembly line. To achieve commercial production, the Company will need to finalize key certifications and commence vehicle production on the assembly line and, in the case of the Lion 8T, secure the supply of battery packs. Timing of commercial production for the Lion5 and Lion8T may be subject to change or delays. See section 2 of this Annual Information Form entitled "Cautionary Note Regarding Forward-Looking Statements" and section 23.0 of the Company's MD&A entitled "Risk Factors."
[(3)] Timing of commercial production for the Lion8T was previously contemplated in the first half of 2023 but has been delayed given that it is dependent upon the availability of battery packs from Romeo Systems, Inc. ("**Romeo**") (now a subsidiary of Nikola Corporation ("**Nikola**")), in respect of which the Company has initiated legal proceedings, including confidential arbitration proceedings against Romeo, the whole as further discussed in section 13 of this Annual Information Form entitled "Legal Proceedings and Regulatory Actions." The Company's objective remains to begin commercial production of the Lion8T as soon as practically reasonable, but the exact timing will be dependent on the outcome of the ongoing Romeo dispute. Battery packs that the Company contracted to purchase from Romeo under the parties' supply agreement are specifically designed to be mounted on Lion8T vehicles. While the Company is looking at alternative supply options that could potentially be available in the long-term if necessary in light of the current situation with Romeo, the Company does not currently have any comparable and readily available alternative supply solution. See section 2 of this Annual Information Form entitled "Cautionary Note Regarding Forward-Looking Statements" and section 16 entitled "Material Contracts" of this Annual Information Form.

The Lion5, Lion6 and Lion8 are all-electric medium- and heavy-duty straight trucks designed to cover a multitude of applications, including the transportation of goods and merchandise (namely through a box, refrigerated box, stake bed or other equipment), as well as for other applications such as ambulance, refuse collection, utility maintenance, through upfit equipment options and applications provided and integrated by third parties. The Lion8 Tractor is an all-electric heavy-duty tractor truck designed to haul semi-trailers and containers.

Specialized Applications and Product Pipeline

Lion's truck chassis and cabins have been developed to allow the integration of multiple mechanic and electric components and equipment, thereby enabling the design of various specialized trucks. While Lion focuses on the manufacturing of chassis and cabins and does not manufacture such mechanic and electric components and equipment necessary for the final assembly of such specialized trucks, it has

established partnerships and other relationships with third-party suppliers to enable it to offer to its clients a variety of vehicle configurations, upfit equipment options and applications which range from classic boxes for box trucks to other specialized applications such as all-electric ambulances, bucket trucks, utility trucks and refuse collection trucks. Depending on the circumstances, Lion either integrates specialized components and equipment sourced from third-party suppliers or partners and delivers a fully assembled vehicle to its customers, or it sells a truck comprised of a chassis and cabin to its customers which, in turn, coordinate directly with Lion's suppliers and partners.
Some of the vehicle configurations and upfit equipment options can include refrigerated and aluminum stake body options provided through partnerships and other contractual relationships with upfitters, including Fourgons Transit, Morgan Truck Body, Thermo King, Knapheide and CM Truck Beds.

Other specialized applications include an all-electric refuse collection truck and an all-electric bucket truck. While Lion has developed and manufactured specialized chassis for both applications that can fit all-electric battery packs, the electrification and final configuration of such specialized applications require input from upfitters and their ultimate customers, which focus on tailoring the vehicles to their daily operations. In the case of the refuse collection truck, Lion has entered into a partnership with an upfitter in order to combine the Lion8 chassis and an all-electric automated side-loading body to the truck. Lion has delivered a Lion8 all-electric chassis to a third-party upfitter for a refuse application and is collaborating with such upfitter to finalize the testing of the refuse equipment prior to delivering the integrated refuse truck to a client. In the case of the bucket truck, Lion has delivered Lion8 all-electric chassis to a third-party upfitter which is in the process of finalizing the installation of the aerial equipment drive necessary to produce a bucket truck capable of performing the work typically required by electrical utility companies.

In October 2021, Lion entered into a partnership with Demers Ambulances, a leading North American manufacturer of ambulances, for an all-electric and purpose-built ambulance model which will use the Lion 5 chassis and for which the final assembly of the ambulance upfit will be carried out by Demers Ambulances. Lion expects to produce the battery packs for the Lion Ambulance in-house at the Lion Campus, and commercial production for the Lion Ambulance to begin in 2023.

Buses

Lion's current line-up of all-electric buses consists of Type A, Type C and Type D school buses. Lion buses are fully assembled by Lion, with a dedicated purpose-built chassis and body manufactured and assembled by Lion. Lion also incorporates its proprietary battery technology and software into all of its buses. For each model, Lion offers several range options with a view to meet customers' needs and facilitate school bus route planning.

LIONA | LIONC | LIOND

Type A | **Type C** | **Type D**

	LionA	LionC	LionD
Estimated Power and Battery Capacity	Power: 250 kW – 335 HP Battery Capacity: Up to 220 kWh	Power: 250 kW – 335 HP Battery Capacity: Up to 210 kWh	Power: 250 kW - 335HP Battery Capacity: Up to 210 kWh
Commercial Production[(1)]	× (Expected 2023)	✓	× (Expected 2023)
Deliveries Made to Date	×	✓	×

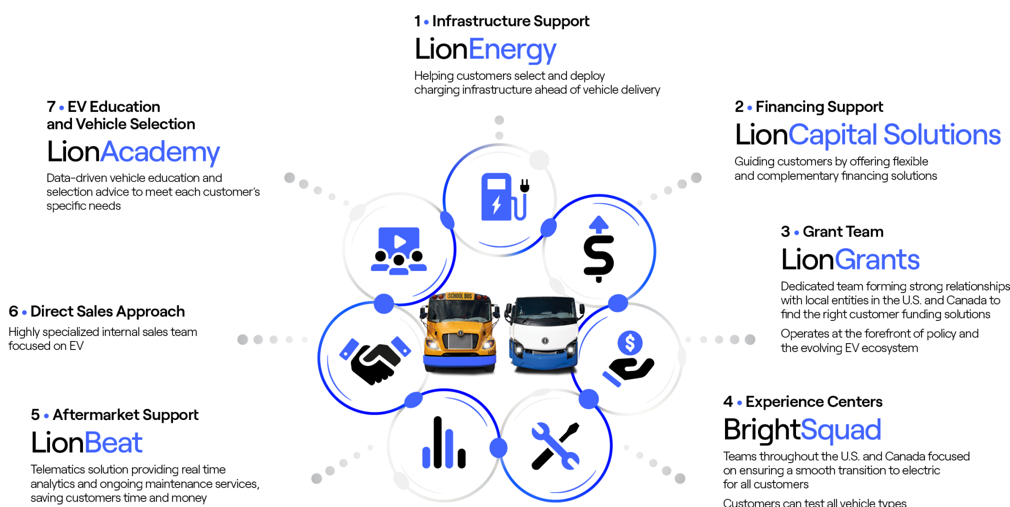
[(1)] The Company has substantially completed the development phase for the LionA and LionD, and it expects that its remaining development efforts will be limited to the introduction of product enhancements and new features, final battery integration as well as any final adjustments required to obtain final key certifications and commence vehicle production on the assembly line. To achieve commercial production, the Company will need to finalize key certifications and commence vehicle production on the assembly line. Timing of commercial production for the LionA and LionD may be subject to change or delays. See section 2 of this Annual Information Form entitled "Cautionary Note Regarding Forward-Looking Statements" and section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

The LionA is an all-electric mini school bus with a capacity of up to 24 passengers created for school transportation and designed to accommodate passengers with special needs. The LionC consists of a single-speed electric powertrain school bus with a capacity of up to 72 passengers for which the body is installed upon a flat-back cowl chassis and includes a hood and complete front fender. The LionD is a "transit-style" flat-nose school bus with a capacity of up to 83 passengers.

Lion has also developed a LionM model, an all-electric minibus which can be used for paratransit or as a standard shuttle bus. The LionM has not entered into commercial production to date. Commercial production of the LionM is currently under review by the Company as the design will leverage the same platform as the LionA and will be contingent on customer demand.

The Lion Ecosystem

Lion has developed an ecosystem to assist fleet operators with key aspects of fleet electrification, including vehicle selection, purchase and adoption. Through its sales and other teams, Lion can assist its customers with selecting and deploying charging infrastructure, guiding customers through flexible financings solutions, identifying and executing applicable governmental grants, assess energy requirements, providing maintenance and telematics solutions and EV education and training, all of which are designed to facilitate EV transition for Lion's customers.



1 - LionEnergy

Lion provides charging infrastructure solutions through LionEnergy, Lion's division that assists customers with selecting, purchasing, project managing and deploying charging infrastructure ahead of vehicle delivery and which generates revenues through the resale of charging stations from global charging infrastructure manufacturers as well as project management and consulting services.

2 - LionCapital Solutions

Through arrangements with third-party financing providers and its division LionCapital Solutions, Lion makes available to its customers financing alternatives specifically designed for Lion school buses, Lion trucks and related charging infrastructure, including loans, sale and leasing financing options as well as other financing solutions relating to the monetization of carbon credits. LionCapital Solutions allows the integration of tailored and competitive financing solutions into Lion's fleet electrification package, with a view to maximize access to funding through third-party financing providers for Lion's clients by, among other things, eliminating or reducing upfront capital requirements and simplifying the financing process.

In connection therewith, Lion has entered and may in the future enter into agreements with third parties to provide financing solutions to Lion school bus and truck customers in the United States and Canada through LionCapital Solutions' vehicle financing program. In certain instances, the third-party financing provider may retain ownership or a collateral interest over the vehicles being financed until payment is completed by Lion's customer, and Lion has in certain instances undertaken remarketing obligations pursuant to which Lion may be required to assist the third-party financing providers into the sale or re-lease of any vehicles that should come in such financing source's possession as a result of a customer defaulting under any applicable financing arrangement. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

3 - LionGrants

Lion has put in place a dedicated grants assistance team responsible for assisting customers in identifying and applying for grant and subsidy funding opportunities. Lion's grants assistance team has established lines of communication with various governmental bodies providing grants and subsidies, including the EPA, the California Energy Commission, the California Air Resources Board, Infrastructure Canada and the Ministry of Transport of Quebec, to support its customers in making sure that they benefit from all programs available in their respective jurisdictions. See section 6.9 of this Annual Information Form entitled "Subsidies and Funding Opportunities."

4 - BrightSquad

BrightSquad consists of a team of professional technicians that offer on-site customer service with the objective of ensuring a smooth transition to electric and maximizing vehicle operation and performance. In addition to providing first line preventive maintenance, diagnostic and troubleshooting services, BrightSquad's team of professionals offer training programs for end users' drivers and operational teams. In February 2022, Lion entered into an agreement with Cox Automotive Mobility giving Lion customers access to Cox Automotive Mobility's 25 maintenance service centers in the United States, expanding coverage of the BrightSquad team and providing more options for convenient, on demand support.

5 - LionBeat

LionBeat is a dedicated EV telematics software solution offered as an aftermarket support solution for Lion vehicles. LionBeat can gather data such as greenhouse gas emissions savings, real-time GPS tracking, speed, odometer readings, charging status, average energy usage, energy usage history, and other relevant maintenance and tracking statistics. Lion also uses data obtained through telematic software solutions to inform product development and assist with service calls.

6 - Direct Sales Approach

Lion's sales model is generally based on direct-to-customer sales tailored for EVs, with a specialized team focused on EV dedicated to facilitating customers' EV transition journey.

7 - EV Education and Vehicle Selection

From the onset, Lion aims to understand customers' requirements and help them identify the suitable EV for their needs. During the vehicle selection process, Lion performs analysis of typical customer routes, payload requirements, and ancillary energy consumption to help the customer determine its specific energy requirements. Customers can also visit the Lion factory or one of Lion's Experience Centers to test drive the product identified in the vehicle selection process.

Warranty

Lion provides a limited warranty against defects for its products, including battery modules and packs, which requires it to repair or replace defective products during the applicable warranty period at no cost to the consumer. Warranty coverage is generally aligned with industry practices and is aligned with coverage provided by the original manufacturer of the applicable component included in Lion's vehicles, provided that Lion offers extended warranty periods which can be purchased by customers. Warranty period can range from one year to several years depending on various circumstances, including clients and type of component. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

6.3 Principal Markets

Lion's products are available for purchase in Canada and in the United States. For the year ended December 31, 2022, 87% of Lion's revenues were generated by sales in Canada and 13% of the revenues were generated by sales in the United States. Lion's products are distributed by truck and rail in Canada and the United States, either directly to Lion's customers or to the third-party upfitters Lion partners with.

6.4 Marketing Channels

Lion has adopted a sales model that is generally based on direct-to-customer sales tailored for EVs, thereby generally avoiding reliance on third-party dealerships. Lion operates under such model for three key reasons: (i) traditional dealerships are generally not trained to sell and demonstrate EVs and do not have the required resources to do so; (ii) traditional dealerships typically generate a sizeable portion of their overall revenues through service and maintenance and, considering that EVs generally require less service and maintenance than incumbent diesel solutions, traditional dealerships may have less incentives to sell EVs; and (iii) paying third-party dealership margins would make EVs less cost competitive for prospective customers. That said, certain U.S. states have laws that impose or may be interpreted to impose limitations on this direct-to-consumer sales model for manufacturers such that Lion has in certain instances entered into distribution agreements with a select group of third-party dealers to abide by local laws and regulations in certain U.S. states requiring medium and heavy-duty vehicles to be sold through dealerships. In a limited number of instances, Lion may also selectively partner with third-party dealers even when not required by law to do so. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

Lion utilizes strategic marketing to accelerate sales opportunities and build brand awareness. Lion's current marketing programs primarily target commercial fleet operators and governmental agencies, and include conferences and industry events that Lion participates in or sponsors and exhibits at, press releases, email campaigns, digital advertising, cooperative marketing effects and communications regarding Lion's differentiated selling points and product features through marketing collateral such as its website, presentation slides, social media, webinars and videos.

As part of its go-to-market strategy, Lion assists its customers through the EV transition journey in all critical aspects of vehicle selection, financing, purchasing and adoption, including EV education and training, and identification and seeking of any applicable governmental grants, energy requirements, charging infrastructure, maintenance, and advanced telematics solutions. To enhance customer experience and help drive repeat purchases, Lion leverages its growing network of experience centers, which are dedicated spaces where prospective customers, policymakers and other transportation industry stakeholders can familiarize themselves with Lion's EVs, learn about their specifications and advantages, obtain sales support and meet sales representatives, discuss grant and subsidy assistance, obtain charging infrastructure assistance, receive vehicle training, maintenance support and have existing vehicles serviced. Services available on-site at Lion's experience centers include product demonstrations and sales support, full-service training, charging infrastructure assistance and maintenance support. Lion has experience centers strategically located in key markets in the United States and Canada. Lion currently has 12 experience centers strategically located in key markets.

6.5 Intellectual Property

Lion relies on trade secret protection, trademarks, copyrights and contractual restrictions to protect its intellectual property and other proprietary rights. As a matter of course, Lion does not employ a strategy that is focused on the active registration (including through patent application) of intellectual property rights. Lion relies on a number of other measures to protect its intellectual property and other confidential information, including technical data. For instance, Lion takes steps designated to ensure that proprietary technology incorporated in its vehicle systems is difficult to access and/or retrieve, and takes additional steps to mitigate the effect of any such unauthorized access. In addition, Lion enters into confidentiality agreements with suppliers, customers and other third parties with whom it may share information about its business and operations, and Lion also requires all of its employees, consultants and other persons who work for it to enter into confidentiality and assignment of intellectual property agreements.

Lion pursues from time to time the registration of domain names, trademarks and service marks in the United States, Canada and in some other locations abroad as it considers necessary. In addition, Lion may in the future file patent applications as it considers appropriate under the circumstances relating to any new technologies that it develops.

Lion cannot be sure that third parties will not independently develop the know-how and trade secrets related to Lion's proprietary technology, in which case Lion would not be able to prevent such third parties from using such know-how and trade secrets, which may allow competitors to develop similar or better products or manufacturing methods or processes than those offered by Lion. As well, Lion cannot be sure that its own proprietary know-how, trade secrets, copyrights and trademarks do not infringe third-party intellectual property rights. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

6.6 Sourcing of Raw Materials

Components in Lion's vehicles are made of various raw materials, including aluminum, steel, composite, non-ferrous metals (such as copper) and other materials and minerals used to manufacture lithium-ion batteries. The prices for these raw materials fluctuate depending on market conditions and global demand. Lion has, in certain cases, entered into long-term contractual arrangements with suppliers with respect to the supply of certain key components of its vehicles, including lithium-ion batteries and cells. Lion also strives to obtain components from multiple sources whenever possible. However, some of the components used in Lion's vehicles, including certain key battery system components, are purchased from a single source supplier or limited source suppliers. In such instances, Lion seeks as much as possible to establish alternate supply relationships and obtain or engineer replacement components in order to mitigate supply risk. The Company does not currently hedge its long-term exposure to price fluctuations of raw materials and supplies. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

Lion currently relies on third-party battery suppliers to source battery cells, modules and packs that it integrates in its vehicles. In connection with the establishment of its manufacturing operations at the Lion Campus, Lion plans on manufacturing its own battery modules and packs that will integrate 21700 cylindrical battery cells sourced from third-party suppliers, principally in the short term under the Cell Supply Agreement entered into in November 2022. See "Multi-Year Cell Supply Agreement" under section 5.1 of this Annual Information Form entitled "General Development of the Business." Lion intends to continue in certain instances to rely on third-party suppliers for battery packs. By producing battery packs in-house, Lion expects to increase optimization for product design, cost and production efficiency. As previously disclosed, the Company has initiated legal proceedings to enforce the terms of the multi-year battery pack supply contract entered into with Romeo in November 2020. See section 13 of this Annual Information Form entitled "Legal Proceedings and Regulatory Actions."

6.7 Seasonality

The Company's sales have historically experienced substantial fluctuations from quarter to quarter, particularly considering that they have been mainly comprised of sales of school buses which are mainly driven by the school calendar. While the Company expects to continue to experience seasonal variations in its sales in the foreseeable future, management believes that the mix of product sales may vary in the future, especially in connection with the Company's execution of its growth strategy and as sales of trucks become more prevalent and new product features may be introduced. As a result, it is difficult to predict if any historical trends will be reproduced in the future.

6.8 Government Regulation

Vehicle Safety Regulations

The vehicles that Lion manufactures and sells are subject to various and complex safety standards across jurisdictions where Lion operates. In the United States, the National Traffic and Motor Vehicle Safety Act of 1966 (the "**Safety Act**") regulates vehicles and vehicle equipment by prohibiting the sale of any new vehicle or equipment that does not conform to applicable vehicle safety standards established by the National Highway Transportation Safety Administration ("**NHTSA**"). In Canada, the Motor Vehicle Safety Act (the "**MVSA**") regulates vehicles, and Transport Canada develops and enforces Motor Vehicle Safety Standards which are generally harmonized with the standards in the United States. Lion is also subject to similar laws and regulations at the U.S. state and Canadian provincial levels in all states and

provinces where it sells its vehicles. Meeting or exceeding such safety standards is costly and has continued to evolve alongside developments in technology and safety expectations. Lion continuously evaluates requirements for licenses, approvals, certificates and governmental authorizations with a view to obtain or comply with the various licenses, approvals, certifications and other governmental authorizations necessary to manufacture, sell or service its vehicles in the United States and Canada. Such requirements include rigorous testing and the use of approved materials and equipment. In addition, governmental agencies generally mandate that new all-electric trucks and bus models, and subsequent material changes to those models, be physically tested to meet certain performance standards in order to be eligible to receive governmental funding.

Environment and Other Regulatory Matters

Although Lion's vehicles qualify as zero emission vehicles ("**ZEVs**"), they are subject to regulations regarding vehicle emissions. For example, in the United States, every class of heavy-duty engines or vehicles must receive Certificate of Conformity ("**COCs**") from the EPA prior to being sold. These COCs must be obtained for each model year of production, and failure to obtain them prior to entering Lion's vehicles into commerce may result in substantial fines or penalties. In addition, the EPA and California Air Resources Board ("**CARB**") have annual certification greenhouse gas emissions requirements related to Lion's vehicles. The CARB certification is required to participate in California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project ("**HVIP**") described below.

In Canada, the Heavy-duty Vehicle and Engine Greenhouse Gas Emission Regulations adopted under the Canadian Environmental Protection Act, 1999, establish Canadian emission standards and test procedures for Canadian manufacturers, distributors and importers of heavy-duty vehicles. These standards and procedures are aligned with the requirements of the United States Code of Federal regulations for on-road heavy-duty vehicles and engines published by the EPA, parts of which are incorporated by reference in the regulations, However, testing and other requirements to demonstrate compliance may vary, adding to the regulatory complexity of Lion's operations.

The use, storage, transport, and disposal of Lion's battery packs is subject to extensive regulation. Lithium-ion cells may be regulated as "hazardous" or "dangerous" goods under several regulatory regimes in both the United States and Canada. For example, Lion's battery packs are subject to testing requirements before they can be transported, and they must be transported in keeping with various conditions which vary by mode of transportation. Lion may also be responsible for the recycling and proper disposal of expended batteries from its vehicles. In addition to the proper handling, recycling, and disposal of expended batteries, Lion's operations are subject to a wide range of laws and regulations related to the protection of the environment, including those regulating air emissions, discharges to water, waste management, worker health and safety, and environmental cleanup.

6.9 Subsidies and Funding Opportunities

With heightened focus on the global environment, various subsidy and financial incentives programs have been introduced by governmental authorities in Canada and the United States in order to promote the adoption of emissions-free vehicles. Demand for Lion's vehicles is currently highly influenced by such federal, state, provincial and local tax credits, rebates, grants and other government programs and incentives that promote the use of battery electric vehicles.[1] Additionally, demand for Lion's vehicles is and is expected to become increasingly influenced by laws, rules, regulations and programs that require reductions in carbon emissions, such as the various measures implemented by lawmakers and regulators in the United States and Canada (notably in the state of California and in the Province of Quebec, among others) designed to increase the use of electric and other zero-emission vehicles, including the establish

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[1] As further detailed in the Company's fiscal 2022 MD&A, substantially all sales and deliveries of Lion vehicles are subject to the granting of such subsidies and incentives. To date, the subsidies and incentive programs Lion's customers have applied for include Transport Quebec's School Transport Electrification and Eco-Trucking Programs (*Programme d'électrification du transport scolaire et Programme Écocamionnage*), the Canadian federal government's Zero-Emission Transit Fund (ZETF) and Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV) Program, California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), California Energy Commission – School Bus Replacement Program and the U.S. Environmental Protection Agency Clean School Bus Program. See sections 10.0 and 23.0 of the Company's fiscal 2022 MD&A entitled "Order Book" and "Risk Factors."

ment of firm goals in certain instances for the number of these vehicles operating on state or provincial roads by specified dates and the enactment of various laws and other programs in support of these goals. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

U.S. Subsidies and Incentive Programs

At the U.S. federal level, the Biden administration signed into law the Bipartisan Infrastructure Law which includes a total of $7.5 billion to build out a national electric vehicle charging infrastructure network and under which the U.S. Environmental Protection Agency launched its Clean School Bus Program which is expected to provide $5 billion over the five-year period between 2022 and 2026 to replace existing school buses with zero-emission and low-emission models. In May 2022, the EPA announced the availability of $500 million under the first round of funding of the EPA Clean School Bus Program, which amount was subsequently increased to $945 million. As of the date of this document, 2,533 school bus awards were granted to 393 awardees for a total of $935 million, with electric buses representing approximately 95% of total bus awards. With respect to vouchers granted under the first round of awards of the EPA Clean School Bus Program, such vouchers are conditional on buses being ordered from October 2022 to April 2023, and infrastructure being installed, and vehicle delivered by October 2024. In order to receive such grants, selectees that received awards under the EPA Clean School Bus Program must submit a payment request once a purchase order for the new school buses has been signed. Once the EPA has reviewed the payment request and confirmed that all required information was included, EPA will issue the rebate payment to the selectee such that payments made under the first round of awards of the EPA Clean School Bus Program are generally made before delivery of the applicable bus.
The Biden administration also signed into law the Inflation Reduction Act of 2022, which includes a program under which purchases of new Class 4-8 electric vehicles may qualify for a commercial clean vehicle credit of up to $40,000 under the Internal Revenue Code (IRC). Lion has been approved by the Internal Revenue Service as a qualified manufacturer for the commercial clean vehicle credit such that Lion's all-electric trucks sold in the United States starting January 1, 2023 may be eligible for such clean vehicle credit.

U.S. states and municipalities have also implemented various programs to offset carbon emissions, such as Zero-Emission Vehicle (ZEV) credit trading mechanisms currently adopted by seven U.S. states and New York City's plan to electrify its school bus fleet by 2035. Additionally, several states and Washington D.C. have signed the Multi-State Medium and Heavy-Duty Zero Emission Vehicle Memorandum of Understanding, which has an objective of having 100% of all new medium and heavy-duty vehicle sales be zero-emission by 2050, with an interim target of 30% zero-emission vehicle sales by 2030.

In California, the California Air Resources Board approved in November 2022 the fiscal 2022-2023 Funding Plan for Clean Transportation Incentives, which includes certain policy changes from previous years and an allocation of over $1.7 billion to be administered by the California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). HVIP provides a point-of-sale discount to organizations that purchase fleets of hybrid and electric trucks and buses. Under the HVIP, at delivery, customers will pay the purchase price of the vehicle minus the voucher amount, and Lion will receive the amount of the voucher directly, subject to and once CARB certification is completed.

Canadian Subsidies and Incentive Programs

In Canada, the Canadian federal government has established the Zero Emission Transit Fund ("**ZETF**") through which the Canadian federal government plans on investing C$2.75 billion over five years to support public transit and school bus electrification, in respect of which applications relating to vehicles of Lion have not yet been fully processed to date and December 31, 2025 is the latest date by which claims are required to be made according to the current eligibility criteria of the program, unless otherwise agreed by Infrastructure Canada. See sections 10.0 and 23.0 of the Company's fiscal 2022 MD&A entitled "Order Book" and "Risk Factors." In addition, the Canada Infrastructure Bank has launched a C$1.5 billion debt funding assistance program to assist public transit and school bus operators in their transition towards electrification.

The Canadian federal government also launched in June 2022 C$547.5 million of funding over four years (or until available funding is exhausted) for the Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV) Program, which offers Canadian organizations, provinces, territories and municipalities point-of-sale incentives towards the purchase or lease of eligible medium- and heavy-duty zero-emission vehicles and which can be applied in addition to any provincial or territorial incentive.

In Quebec, the provincial government previously announced its Green Economy Plan which includes C$5 billion in funding (including C$246 million towards truck electrification and C$250 million towards school bus electrification) with the objective of electrifying 55% of all transit buses and 65% of all school buses in the province by 2030 as well as the objective of cutting greenhouse gas emissions and banning sales of gasoline-powered consumer and light-duty vehicles by 2035. The Green Economy Plan includes various programs to assist school and transit bus fleets as well as medium and heavy-duty trucks electrification, including Transport Quebec's School Transport Electrification and Eco-Trucking Programs (*Programme d'électrification du transport scolaire et Programme Écocamionnage*). In an effort to phase-out diesel-powered buses, the Quebec provincial government has also banned sales of new diesel-powered school buses in the province. Similar programs have also been established by the British Columbia provincial government and certain maritime provinces.

6.10 Property, Plants and Equipment

Lion has one vehicle manufacturing facility in Canada located in Saint-Jerome, Quebec, which is approximately 25 miles (or 40 km) north of Montreal, Quebec. To date, almost all of the vehicles sold by the Company have been produced at its Saint-Jerome facility.

Lion is also in the process of establishing manufacturing operations at its U.S. manufacturing facility located in Joliet, Illinois, which is the Company's biggest footprint in the United States and will support the Company in addressing the increasing demand in the marketplace for "Made in America" zero-emission vehicles.

Lion also has the Lion Campus, which is located at the YMX International Aerocity of Mirabel, Quebec and which consists of the Company's battery manufacturing plant and innovation center.

Except for the innovation center building forming part of the Lion Campus, all of such properties are leased by Lion and Lion does not own any real property.

Facility	Principal Production Activity	Approximate Square Footage	Estimated Maximum Annual Capacity at Full Scale[1]
Saint-Jerome, Qc Canada	Head Office Manufacturing Facility In-house R&D Testing Center Experience Center	200,000	2,500 vehicles[2]
Joliet, IL, United States	Manufacturing Facility	900,000	20,000 vehicles[3]
Mirabel, Qc, Canada	Battery Manufacturing Facility Innovation Center	175,000	5 gigawatt hours[3]

(1) Represents management's estimates of the projected maximum annual vehicle production capacity at the facility after completion of the production ramp-up and scale-up of manufacturing operations. Such estimates have been prepared on the basis of current footprint and projected work stations and equipment. See footnotes 2 and 3 below as well as section 2 of this Annual Information Form entitled "Caution Regarding Forward-Looking Statements."

(2) Almost all of the vehicles delivered by the Company during fiscal 2022 were manufactured in Saint-Jerome. With respect to the estimated maximum annual capacity at full scale, while the Company does not expect that any substantial capital expenditure will be required to achieve such potential, as increase in production could be achieved through additional workforce and certain optimization of production lines to take into account production ramp-up and increased output, the Company has not to date produced at such level and has limited experience to date in high volume manufacturing of its vehicles.

(3) The cadence of the Company's investments relating to the Joliet Facility and the Lion Campus, including the timing of installation of production stations and equipment as well as additional equipment to increase production rates has been and will continue to be reassessed by management on a continuous basis depending upon prevailing economic conditions, the demand environment for the Company's products as well the Company's liquidity profile. As such, management's expectations with respect to the ramp-up of production and estimated maximum capacity are based on a number of assumptions and may be subject to change, and there is no assurance that the Company's plan will materialize as expected. See section 8.0 of the Company's fiscal 2022 MD&A entitled "Operational Highlights."

Other Facilities

The following table provides a list of the other main facilities currently leased by Lion, together with approximate square footage for each facility:

Facility	Principal Activity	Approximate Square Footage
Montreal, Qc	Engineering R&D Center	5,000
Terrebonne, Qc	Administrative Office Experience Center	45,000
Mirabel, Qc	Warehouse	123,000
Mirabel, Qc	Warehouse	37,000
Sainte-Sophie, Qc	Warehouse	5,000
Moncton, N.B.	Experience Center	10,000
Richmond, B.C.	Experience Center	18,000
Auburn, WA	Experience Center	10,000
Sacramento, CA	Experience Center	28,000
Los Angeles, CA	Experience Center	13,000
Jacksonville, FL	Experience Center	10,000
Shakopee, MN	Experience Center	3,280
Richmond, VA	Experience Center	8,000
Milton, VT	Experience Center	17,000
Denver, CO	Experience Center	18,000

6.11 Research and Development

Lion's team of approximately 300 engineers and other R&D professionals conducts development activities from its two R&D centers in Saint-Jerome, Quebec, and Montreal, Quebec.

Lion's R&D is currently focused on enhancing existing vehicles and features and continuing the development of proprietary battery systems and specialized applications that can be integrated into Lion's vehicles. Lion's main R&D costs consist of expenditures towards assembly of prototype vehicles, the design, establishment, purchase, and implementation of equipment, as well as costs relating to its R&D professionals performing development activities.

6.12 Employees

The Company currently has approximately 1,400 employees (including approximately 170 employees in the United States) across all functions, including manufacturing, R&D, sales & marketing, service, and corporate and administrative. None of Lion's employees is a party to a collective bargaining agreement or represented by a labour union. See the "Risk Factors" section of the Company's fiscal 2022 MD&A.

6.13 Customers

Lion's trucks target a wide array of customers including third-party school bus operators, school districts, carriers, consumer goods companies, waste management operators, manufacturers, utilities as well as governmental agencies. Lion is focusing its sales efforts towards medium to large fleet owners via its direct-to-customer sales model.

The customer breakdown for school buses varies across jurisdictions in the United States and Canada but consists mainly of school bus operators and school districts.

6.14 Competition

Lion competes in the medium and heavy-duty urban vehicle market, ranging from commercial trucks to buses. The North American medium and heavy-duty urban truck market is highly competitive today and Lion expects it will become even more so in the future. Lion's competition for their trucks comes from

manufacturers of purpose-built all-electric vehicles such as Nikola, BYD, and Xos, manufacturers of hybrid/retrofit EVs such as Workhorse, Lightning eMotors and Hyliion, and manufacturers of trucks with internal combustion engines powered by diesel fuel. Lion cannot assure that customers will choose its vehicles over those of its competitors' diesel-powered trucks. The North American school bus market is mainly concentrated in the hands of three incumbent automotive original equipment manufacturers selling primarily diesel school buses: Blue Bird Corporation, Thomas Built Buses (Daimler), and IC Bus (Navistar International, subsidiary of Traton). These manufacturers mainly compete with Lion's school buses through their traditional diesel offering but are beginning to rollout electric models. In addition to the incumbent diesel school bus OEMs, a few early-stage EV OEMs have entered in competition with Lion such as Green Power Motor, which offers purpose-built electric Type D school buses, and Trans Tech, which offers retrofit electric Type A school buses. In addition, Proterra offers electric transit buses. See the "Risk Factors" section of the Company's fiscal 2022 MD&A.

Lion's management believes the primary competitive factors in both the truck and bus industries include

- total cost of ownership ("**TCO**"), which is impacted by, among other things, pricing of electric vehicles, available subsidies and incentives, energy costs and maintenance and repair costs over the useful life of a vehicle;
- vehicle range and payload capacity;
- quality and reliability;
- safety;
- customer experience;
- technological innovation and charging expertise; and
- compliance with environmental regulation.

Lion's management believes that Lion's truck TCO is favorable to comparable diesel vehicles today in most use cases. Over time, the TCO advantage of electric trucks is expected to further increase as electric vehicle prices reduce, which will in turn further improve the economic benefit and rationale for fleet owners and operators to purchase Lion's all-electric vehicles. In the school bus market, the lower annual mileage of individual units typically makes it more difficult for the lower energy and maintenance costs to significantly offset the currently higher upfront costs of electric vehicles over incumbent diesel units. As such, at the current time, governmental subsidies and incentives are often required for electric buses to be competitive over diesel units from a pure TCO point of view in this category. Over time, as the cost of the vehicles decreases as a result of, among other things, reduction in battery costs from increased vertical integration in manufacturing of battery systems, increased purchasing power with suppliers through larger volume commitments, increased manufacturing capacity utilization and fixed cost absorption, and other productivity gains, the TCO for electric buses is expected to become favorable even in the absence of governmental subsidies and incentives. See section 23.0 of the Company's fiscal 2022 MD&A entitled "Risk Factors."

6.15 Risk Factors

The Company's risk factors are discussed starting on page 46 of the Company's fiscal 2022 MD&A and are incorporated by reference in this document. The Company's fiscal 2022 MD&A is available on the Company's website, on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov). These risks may not be the only risks the Company faces. Other risks of which management is not aware or which are currently deemed to be immaterial may arise and have a material adverse impact on the Company, its business, results from operations or financial condition.

7. Description of Capital Structure

The Company's authorized share capital consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of preferred shares (the "**Preferred Shares**"), issuable in one or more series. As

at March 9, 2023, there were 221,032,717 Common Shares issued and outstanding, and no preferred shares were issued and outstanding. The Company also has three series of warrants to purchase Common Shares outstanding as further described in section 7.3.

The summary below of the rights, privileges, restrictions and conditions attaching to the shares of the Company is subject to, should be read in conjunction with, and is qualified by reference to, the Company's articles and by-laws, available on the Company's website at www.thelionelectric.com under the "Investors" section.

7.1 Common Shares

Voting Rights

Holders of Common Shares are entitled to one vote for each share held at any meeting of the shareholders of the Company, other than meetings at which only the holders of a particular class or series of shares are entitled to vote due to provisions of the QBCA or the specific attributes of such class or series.

Dividends

Subject to the prior rights of the holders of any Preferred Shares as to dividends, the holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors out of the funds that are available for the payment of dividends.

Liquidation

Subject to the prior payment to the holders of Preferred Shares, in the event of the Company's voluntary or involuntary liquidation, dissolution or winding-up or other distribution of the Company's property and assets among its shareholders for the purposes of winding up the Company's affairs, the holders of Common Shares are entitled to share pro rata in the distribution of the balance of the Company's remaining property and assets.

Rights and Preferences

The holders of Common Shares have no preemptive, conversion rights or other subscription rights attaching to the Common Shares. There are no redemption or sinking fund provisions applicable to Common Shares. There is no provision in the Articles requiring the holders of Common Shares to contribute additional capital or permitting or restricting the issuance of additional securities or any other material restrictions. The rights, preferences and privileges of the holders of Common Shares are subject to and may be adversely affected by, the rights of the holders of any series of Preferred Shares that the Company's Board may designate in the future.

7.2 Preferred Shares

Pursuant to the Articles, the Company's Board is authorized to issue, without shareholder approval, an unlimited number of Preferred Shares, issuable in one or more series, and, subject to the provisions of the QBCA, having such designations, rights, privileges, restrictions and conditions, as the Company's Board may determine, and such rights and privileges, including, without limitation, any right to receive dividends (which may be cumulative, non-cumulative or partially cumulative and variable or fixed), the rate or rates, amount or method or methods of calculation of preferential dividends and whether such rate or rates, amount or method or methods of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the rights of redemption (if any) and the redemption price and other terms and conditions of redemption, the rights of retraction (if any) and the prices and other terms and conditions of any rights of retraction and whether any additional rights of retraction may be provided to such holders in the future, the voting rights and the conversion or exchange rights (if any) and any sinking fund, purchase fund or other provisions attaching thereto, as the

Company's Board may determine, and such rights and privileges may be superior to those of the Common Shares. Except as otherwise provided by law or in accordance with any voting rights which may from time to time be attached to any series of Preferred Shares, the holder of Preferred Shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company.

7.3 Warrants to Acquire Common Shares

2022 Warrants

On December 16, 2022, the Company entered into a warrant indenture (the "**2022 Warrant Indenture**") with TSX Trust Company, as warrant agent (the "**Warrant Agent**"), in connection with closing of the December 2022 Offering. The 2022 Warrant Indenture governs the 2022 Warrants. Each whole 2022 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 per Common Share for a period of five years ending December 15, 2027, subject to adjustment in certain customary events. The 2022 Warrant Indenture provides that, subject to compliance with applicable securities legislation and approval of applicable regulatory authorities, the Company is entitled to purchase in the market, by private contract or otherwise, all or any of the 2022 Warrants then outstanding, and any 2022 Warrants so purchased will be cancelled. The 2022 Warrant Indenture provides for adjustment in the number of Common Shares issuable upon the exercise of the 2022 Warrants and/or the exercise price per Common Share upon the occurrence of certain events.

The 2022 Warrants are trading on the NYSE under the symbol "LEV WSA" and on the TSX under the symbol "LEV.WT.A." As of March 9, 2023, 22,637,795 2022 Warrants were issued and outstanding.

This description of the 2022 Warrants is only a summary of the material features of the 2022 Warrants. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the 2022 Warrant Indenture, which is available on the Company's profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Business Combination Warrants

Upon completion of the Business Combination, 27,111,741 warrants to purchase shares of NGA's common stock were converted into an equivalent number of warrants to acquire Common Share (each, a "**Business Combination Warrant**"), 15,972,672 of which were public Business Combination Warrants and 11,139,069 of which were private Business Combination Warrants. The Business Combination Warrants are governed by a warrant agreement dated August 7, 2020 (the "**Business Combination Warrant Agreement**"), which agreement was assumed by the Company pursuant to a warrant assignment and assumption agreement dated May 6, 2021, between the Company, NGA, American Stock Transfer & Trust Company, LLC, and Continental Stock Transfer & Trust (the "**Business Combination Warrant Assignment Agreement**").

Each Business Combination Warrant entitles the holder to acquire one Common Share at an exercise price of $11.50 per Common Share until May 6, 2026, subject to adjustment in certain customary events.

The public Business Combination Warrants may be redeemed by the Company in whole at a price of $0.01 per public Business Combination Warrant, provided that the last reported sales price of the Common Shares equals or exceeds $18.00 per share for any 20 trading days within a 30 trading-day period commencing once the public Business Combination Warrants become exercisable and ending on the third trading day prior to the date on which the Company gives proper notice of such redemption.

Each private Business Combination Warrant may be exercised on a cashless basis and may not be redeemed by the Company for so long as it is held by Northern Genesis Sponsor LLC or any of its permitted transferees. Once transferred to any person that is not Northern Genesis Sponsor LLC or any of its permitted transferees, a private Business Combination Warrant becomes treated as a public Business Combination Warrant.

The Business Combination Warrants are trading on the NYSE under the symbol “LEV WS” and on the TSX under the symbol “LEV.WT.” As of March 9, 2023, 27,111,623 Business Combination Warrants were issued and outstanding.

This description of the Business Combination Warrants is only a summary of the material features of the Business Combination Warrants. This summary should be read in conjunction with, and is qualified in its entirety by reference to. the Business Combination Warrant Agreement and Business Combination Warrant Assignment Agreement, which are available on the Company’s profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Specified Customer Warrant

In connection with entering into the MPA, Lion issued on July 1, 2020 a warrant to purchase Common Shares (the “**Specified Customer Warrant**”) to Amazon.com NV Investment Holdings LLC (the “**Specified Warrantholder**”) which vests, subject to the terms and conditions contained therein, based on the aggregate amount of spending by the Specified Customer and its affiliates on Lion products or services. At the election of the Specified Warrantholder, any vested portion of the Specified Customer Warrant can be exercised either on a cash basis by the payment of the applicable exercise price or on a net issuance basis based on the in-the-money value of the Specified Customer Warrant. The exercise price of the Specified Customer Warrant corresponds to $5.66 per Common Share and the Specified Customer Warrant will be, if and when fully vested, exercisable for 35,350,003 Common Shares upon an exercise on a cash basis. Full vesting of the Specified Customer Warrant requires spending of at least $1.2 billion on Lion products or services over the term of the Specified Customer Warrant, subject to partial or full accelerated vesting upon the occurrence of certain events, including a change of control of Lion (as such term is defined in the Specified Customer Warrant) or a termination of the MPA by the Specified Customer for cause. Pursuant to the Specified Customer Warrant, if Lion or its shareholders propose to initiate a process to explore, or to accept any offer or enter into negotiations with respect to, a change of control of Lion (as defined in the Specified Customer Warrant), Lion must provide written notice thereof to the Specified Warrantholder prior to entering into any definitive agreement or binding letter of intent with respect to any such proposed transaction, and the Specified Warrantholder has the right to enter into non-exclusive, good faith negotiations with Lion and its shareholders in respect of any such proposed transaction.

As of March 9, 2023, the vested portion of the Specified Customer Warrant was exercisable for a number of Common Shares representing approximately 2.4% of all Common Shares issued and outstanding on a partially-diluted basis. The Specified Customer Warrant has a term expiring on July 1, 2028 and the Specified Warrantholder has customary registration and information rights.

This description of the Specified Customer Warrant is only a summary of the material features of the Specified Customer Warrant. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the Specified Customer Warrant, which is available on the Company’s profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

8. Dividends

The Company has never declared or paid any dividends on its Common Shares, and the Company anticipates reinvesting earnings to finance its business and its growth strategy, and does not anticipate declaring any cash dividends to holders of Common Shares in the foreseeable future.

The payment of future dividends, if any, will be reviewed periodically by Lion’s Board of Directors and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund the Company’s commercial activities, contractual restrictions (including under the Revolving Credit Agreement), development and growth, and other factors that the Company’s Board may consider appropriate in the circumstances. See “Credit Agreement with Banking Syndicate” under section 9 entitled “Description of Material Indebtedness” of this Annual Information Form.

9. Description of Material Indebtedness

Credit Agreement with Banking Syndicate

On August 11, 2021, Lion entered into the Revolving Credit Agreement with a syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec. The Revolving Credit Agreement was amended on January 25, 2022 to increase the maximum principal amount that may become available from time to time under the revolving credit facility, subject to the borrowing base and compliance with the covenants contained under the Revolving Credit Agreement, from $100,000,000 to $200,000,000. The credit facility under the Revolving Credit Agreement is available for use to finance working capital and for other general corporate purposes, and available to be drawn subject to a borrowing base comprised of eligible accounts (including insured or investment grade accounts) and eligible inventory, in each case, subject to customary eligibility and exclusionary criteria, advance rates and reserves. The Company estimates that as of December 31, 2022, an amount of approximately $90 million was available under the Revolving Credit Agreement based on the borrowing base calculation.

The credit facility under the Revolving Credit Agreement currently bears interest at a floating rate by reference to the Canadian prime rate or pursuant to banker's acceptance based on the CDOR rate, if in Canadian dollars, or the U.S. base rate or Term Secured Overnight Financing Rate (SOFR), if in U.S. dollars, as applicable, plus the relevant applicable margin. The Revolving Credit Agreement matures on August 11, 2024. The obligations under the Revolving Credit Agreement are secured by a first priority security interest, hypothec and lien on substantially all of Lion's and certain of its subsidiaries' property and assets (subject to certain exceptions and limitations). The Revolving Credit Agreement includes certain customary affirmative covenants, restrictions and negative covenants on Lion's and its subsidiaries' activities, subject to certain exceptions, baskets and thresholds. The Revolving Credit Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Finally, the Revolving Credit Agreement also requires Lion to maintain certain financial ratios and namely, an all times tangible net worth test and a springing fixed charge coverage ratio based on a minimum availability test which may, from time to time, impact the maximum amount available under the revolving credit facility.

This description of the Revolving Credit Agreement is only a summary of the material features of the Revolving Credit Agreement. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the Revolving Credit Agreement, which is available on the Company's profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Financing Agreement with Investissement Quebec

On July 1, 2021, the Company entered into an interest-bearing secured loan agreement with Investissement Quebec (the "**IQ Loan**") relating to the construction of the Lion Campus. The IQ Loan provides for financing of up to C$50,000,000, of which up to 30% is expected to be forgiven subject to certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to R&D activities. Funds will be provided to the Company by way of reimbursement of a predetermined percentage of qualified expenditures incurred by the Company, such that the ultimate amount to be received by the Company from Investissement Quebec is dependent upon qualified expenditures being made by the Company in connection with the Lion Campus. The Company will conduct work, incur expenses and fund all costs from its own capital resources, and then submit claims to Investissement Quebec for reimbursement of a pre-determined percentage of eligible qualified expenditures up to C$50,000,000. Disbursement by Investissement Quebec is conditional upon, among other things, the Company's compliance with certain affirmative and negative covenants as set out in the IQ Loan, including covenants relating to Company's creation and maintenance of workforce, operations and R&D activities. The IQ Loan bears interest at a fixed rate of 4.41%, and will be repayable over a ten-year term, beginning in June 2027. The IQ Loan contains certain affirmative and negative covenants, including covenants relating to the Company's workforce, operations and R&D activities and to the location of its head office in the Province of Quebec,

as well as certain financial covenants. The obligations under the IQ Loan are secured by a security interest, hypothec, and lien on substantially all of the Company's movable property and assets as well as the Company's immovable rights in the innovation center at the Lion Campus (in each case, subject to certain exceptions and limitations).

In connection with the IQ Loan, the Company has undertaken in favour of Investissement Quebec to: (i) maintain its head office and principal decision making center in the Province of Quebec until the earlier of (a) the date on which Investissement Quebec ceases to hold at least 50% of the Common Shares it held as of closing of the Business Combination (including, for greater certainty, the Common Shares acquired in the PIPE Financing and any shares which Investissement Quebec may acquire from time to time through a treasury issuance of Lion), and (b) the date on which, at any time after May 6, 2026, Lion's Board determines, in good faith, that maintaining Lion's head office or its principal decision making center in the Province of Quebec would be incompatible with the exercise of its fiduciary duties under applicable laws; (ii) build and operate its first battery manufacturing and development plant in the Province of Quebec; and (iii) invest in its Quebec-based production capacity such that it can satisfy demand originating from Canadian-based clients through its Quebec plant(s).

Financing Agreement with Strategic Innovation Fund (SIF) of the Government of Canada

On August 19, 2021, the Company entered into an unsecured non-interest bearing loan agreement with the Strategic Innovation Fund of the Government of Canada relating to the construction of the Lion Campus (the "**SIF Loan**"). The SIF Loan provides for financing of up to C$49,950,000, of which up to 30% is expected to be forgiven subject to certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to R&D activities. Funds will be provided to the Company by way of reimbursement of a predetermined percentage of qualified expenditures incurred by the Company, such that the ultimate amount to be received by the Company from the SIF is dependent upon qualified expenditures being made by the Company in connection with the Lion Campus. The Company will conduct work, incur expenses and fund all costs from its own capital resources, and then submit claims to the SIF for reimbursement of a predetermined percentage of eligible qualified expenditures up to C$49,950,000. Disbursement by the SIF is conditional upon, among other things, the Company's compliance with certain affirmative and negative covenants as set out in the SIF Loan, including covenants relating to Company's creation and maintenance of workforce, operations and R&D activities. The SIF Loan is repayable over a 15-year term beginning in April 2026.

In connection with the SIF Loan, the Company has committed in favour of the Strategic Innovation Fund of the Government of Canada to maintain its headquarters and St-Jerome vehicle production facility and its battery assembly facility in the Province of Quebec, create and maintain a certain number of jobs in Canada, and make a minimum amount of research and development expenditures in Canada.

Loan Agreement with Finalta-CDPQ

On November 8, 2022, Lion entered into the Finalta-CDPQ Loan Agreement with Finalta, as lender and administrative agent, and Caisse de dépôt et placement du Quebec (through one of its subsidiaries), as lender, to finance certain refundable tax credits and grants under government programs. The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of C$30 million and bears interest at the rate of 10.95% per annum. The obligations thereunder are secured by a first priority security interest, hypothec and lien in certain tax credits and government grants and a subordinate security interest, hypothec and lien in substantially all other movable property and assets. The Finalta-CDPQ Loan Agreement matures on November 6, 2024. The Finalta-CDPQ Loan Agreement includes certain customary restrictions and negative covenants on Lion's and its subsidiaries' activities, subject to certain exceptions, baskets, and thresholds. The Finalta-CDPQ Loan Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Upon the occurrence and during the continuance of an event of default, the lenders would be entitled to demand the immediate repayment of all amounts owing to them under the Finalta-CDPQ Loan Agreement and/or the lenders may exercise their other rights, remedies and/or recourses.

10. Market for Securities

10.1 Trading Price and Volume

Common Shares

The Common Shares are listed for trading on the NYSE and the TSX under the ticker symbol “LEV.” The following table shows the monthly range of high and low prices per share at the close of market on the TSX and on the NYSE for fiscal 2022. The table also shows the total monthly volumes and average daily volumes traded on the TSX and on the NYSE for fiscal 2022.

	TSX			NYSE		
	High $	**Low $**	**Volume**	**High $**	**Low $**	**Volume**
2022						
January	C$12.95	C$9.16	10,235,856	US$10.17	US$7.20	18,720,787
February	C$11.56	C$8.74	7,291,369	US$9.09	US$6.77	13,839,871
March	C$11.52	C$9.00	8,039,123	US$9.21	US$7.05	17,654,611
April	C$10.82	C$7.77	7,248,351	US$8.65	US$6.04	10,948,554
May	C$8.29	C$6.16	8,479,210	US$6.51	US$4.73	14,624,411
June	C$7.39	C$5.30	11,259,372	US$5.86	US$4.11	18,772,229
July	C$6.64	C$5.23	4,311,724	US$5.13	US$4.07	12,020,226
August	C$7.26	C$4.91	6,374,443	US$5.66	US$3.75	17,768,280
September	C$5.40	C$3.88	7,437,979	US$4.10	US$2.82	28,909,880
October	C$4.38	C$3.25	8,572,070	US$3.21	US$2.36	23,485,070
November	C$4.94	C$3.61	8,472,455	US$3.71	US$2.67	21,775,457
December	C$4.19	C$2.50	13,174,582	US$3.09	US$1.83	38,285,858

Business Combination Warrants

The Business Combination Warrants are listed on the NYSE under the symbol “LEV WS” and on the TSX under the symbol “LEV.WT.” The following table shows the monthly range of high and low prices per warrant at the close of market on the TSX and on the NYSE for fiscal 2022. The table also shows the total monthly volumes and average daily volumes traded on the TSX and on the NYSE for fiscal 2022.

	TSX			NYSE		
	High $	**Low $**	**Volume**	**High $**	**Low $**	**Volume**
2022						
January	C$3.58	C$2.31	207,946	US$2.95	US$1.80	784,700
February	C$3.23	C$2.02	90,685	US$2.58	US$1.48	1,010,672
March	C$3.03	C$2.30	47,586	US$2.38	US$1.76	588,921
April	C$2.75	C$1.86	66,663	US$2.22	US$1.35	636,261
May	C$2.10	C$1.45	58,398	US$1.76	US$1.07	901,398
June	C$1.87	C$1.03	105,303	US$1.57	US$0.81	821,550
July	C$1.30	C$1.07	28,959	US$1.01	US$0.80	742,618
August	C$1.35	C$0.78	139,326	US$1.11	US$0.55	1,321,901
September	C$1.65	C$0.95	401,192	US$1.30	US$0.70	7,829,448
October	C$1.26	C$0.82	205,838	US$0.99	US$0.57	1,838,004
November	C$1.17	C$0.85	150,827	US$0.88	US$0.58	2,271,178
December	C$0.88	C$0.27	395,522	US$0.68	US$0.20	4,039,124

2022 Warrants

The 2022 Warrants are listed on the NYSE under the symbol "LEV.WSA" and on the TSX under the symbol "LEV.WT.A." The following table shows the monthly range of high and low prices per warrant at the close of market on the TSX and on the NYSE for fiscal 2022. The table also shows the total monthly volumes and average daily volumes traded on the TSX and on the NYSE since December 2022.

	TSX			NYSE		
	High $	**Low $**	**Volume**	**High $**	**Low $**	**Volume**
2022						
December[(1)]	C$0.99	C$0.55	479,094	US$0.71	US$0.20	1,428,390

(1) The 2022 Warrants began trading on the TSX on December 16, 2022 and on the NYSE on December 21, 2022.

10.2 Prior Sales

During the 12-month period prior to the date of this Annual Information Form, the Company has issued Common Shares, or securities convertible into Common Shares, as follows:

Date of Issuance	Type of Security	Securities	Price per Security
May 13, 2022	Option to purchase Common Shares[(1)]	493,614	C$6.92 / US$5.31
May 20, 2022	Option to purchase Common Shares[(1)]	65,083	C$7.05
June 7, 2022	Common Shares (exercise of warrants)[(2)]	100	US$11.50
June 29, 2022	Common Shares (exercise of warrants)[(2)]	200	US$11.50
August 1, 2022 to August 31, 2022	Common Shares (sales under ATM Program)[(3)]	2,750,435	US$4.74[(4)]
September 1, 2022 to September 30, 2022	Common Shares (sales under ATM Program)[(3)]	1,958,387	US$3.81[(4)]
October 21, 2022	Common Shares (exercise of options)[(5)]	45,121	C$0.94
November 1, 2022 to November 30, 2022	Common Shares (sales under ATM Program)[(3)]	2,421,716	US$3.06[(4)]
December 1, 2022 to December 12, 2022	Common Shares (sales under ATM Program)[(3)]	1,216,251	US$2.73[(4)]
December 16, 2022	Common Shares (December 2022 Offering)[(6)]	19,685,040	US$2.54[(6)]
December 16, 2022	2022 Warrants (December 2022 Offering)[(7)]	19,685,040	US$2.54[(7)]
January 17, 2023	Common Shares (December 2022 Offering)[(8)]	2,952,755	US$2.54[(8)]
January 17, 2023	2022 Warrants (December 2022 Offering)[(9)]	2,952,755	US$2.54[(9)]

[(1)] Grant of options to purchase Common Shares under the omnibus incentive plan adopted effective May 6, 2021.
[(2)] Exercise of warrants to purchase Common Shares, which Common Shares were issued on May 6, 2021 to former shareholders of NGA.
[(3)] Issuance of Common Shares under the ATM Program.
[(4)] Represents average issue price per Common Share during the applicable period.
[(5)] Exercise of options to purchase Common Shares under the Company's legacy equity-based incentive plan adopted in November 2017, as amended and restated in December 2019 and May 2021.
[(6)] Common Shares forming part of the Units sold by the Company under the December 2022 Offering.
[(7)] 2022 Warrants forming part of the Units sold by the Company under the December 2022 Offering.
[(8)] Common Shares forming part of the Units sold by the Company under the December 2022 Offering pursuant to the underwriters' over-allotment option. Each Unit had a price of $2.54 per Unit and consisted of one Common Share and one 2022 Warrant.
[(9)] 2022 Warrants forming part of the Units sold by the Company under the December 2022 Offering pursuant to the underwriters' over-allotment option. Each Unit had a price of $2.54 per Unit and consisted of one Common Share and one 2022 Warrant.

11. Directors and Officers

11.1 Directors and Executive Officers

The following table sets out, as at the date hereof, certain information relating to each director of the Company, including their name, province or state and country of residence, and position(s) with the Company. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of shareholders.

Name	Province or State and Country of Residence	Position(s) with the Company	Independent
Latasha Akoma	Florida, United States	Director	Yes
Sheila C. Bair	Maryland, United States	Director	Yes
Marc Bedard	Quebec, Canada	CEO-Founder and Director	No
Pierre Larochelle	Quebec, Canada	Director and Chairman of the Board	No
Dane L. Parker	Texas, United States	Director	Yes
Ann L. Payne	Florida, United States	Director	Yes
Pierre-Olivier Perras	Quebec, Canada	Director	No
Michel Ringuet	Quebec, Canada	Lead Director	Yes
Lorenzo Roccia	Italy	Director	Yes
Pierre Wilkie	Quebec, Canada	Director	Yes

The Company's Board has three standing committees: the Audit Committee, the Human Resources and Compensation Committee, and the Nominating and Corporate Governance Committee. Each of the committees operates under its own written charter adopted by the Company's Board, each of which is available on Lion's website.

The following table sets out, as at the date hereof, the composition of the committees of the Board of Directors.

Human Resources and Compensation Committee	Nominating and Corporate Governance Committee	Audit Committee
Sheila C. Bair	Sheila C. Bair (Chair)	Latasha Akoma
Dane L. Parker	Dane L. Parker	Ann L. Payne
Pierre-Olivier Perras	Ann L. Payne	Michel Ringuet (Chair)
Pierre Wilkie (Chair)	Pierre-Olivier Perras	
	Lorenzo Roccia	

The following table sets out, as at the date hereof, certain information relating to each executive officer of the Company, including their name, province or state and country of residence, and position(s) with the Company.

Name	Province or State and Country of Residence	Position(s) with the Company	Executive Officer Since
Marc Bedard	Quebec, Canada	CEO-Founder and Director	2008
Nicolas Brunet	Quebec, Canada	Executive Vice-President and Chief Financial Officer	2019
François Duquette	Quebec, Canada	Vice President, Chief Legal Officer and Corporate Secretary	2021
Nathalie Giroux	Quebec, Canada	Chief People Officer	2021
Brian Piern	South Carolina, United States	Chief Commercial Officer	2021
Yannick Poulin	Quebec, Canada	Chief Operating Officer	2016
François Beaulieu	Quebec, Canada	Chief Information Officer	2021
Rocco Mezzatesta	Ontario, Canada	Senior Vice-President, Product Development & Engineering and Chief Technology Officer	2021

As a group, the directors and executive officers of the Company beneficially owned, or controlled or directed, directly or indirectly, a total of 27,760,028 Common Shares[2], representing approximately 12.7% of the Common Shares outstanding, on a non-diluted basis, as at December 31, 2022.

11.2 Biographies

The following are brief profiles of the directors and executive officers of the Company, including a description of each individual's principal occupation within the past five years.

Non-Executive Directors

Latasha Akoma

Latasha Akoma has served as a member of Lion's Board since 2022. Ms. Akoma is Operating Partner at GenNx360 Capital Partner, a private equity firm focused on investing in industrial and business services companies in the U.S. middle market. Prior to joining GenNx360 Capital Partner in 2014, she held several executive leadership positions at Harley-Davidson Motor Company, a company she joined in 2009 as the Director of Operations, with responsibility for vehicle assembly and materials management. Prior to that, Ms. Akoma was a Senior Manager of Paint Operations at Chrysler (formerly DaimlerChrysler) where she held a variety of senior leadership positions in operations and general management. Ms. Akoma has over 26 years of managerial experience in all aspects of manufacturing, operations and business strategies. Ms. Akoma holds an MBA from Northwestern's Kellogg School of Management, an MSc in Engineering Management from the University of Michigan, and a BSc in Mechanical Engineering with a minor in Energy & Robotics from Howard University.

Sheila C. Bair

Sheila C. Bair has served as a member of Lion's Board since September 2020. She is the chair of the Nominating and Corporate Governance Committee. Ms. Baird is a corporate director. Ms. Bair is the former Chair of the Federal Deposit Insurance Corporation ("FDIC"), where she served in that capacity from 2006 to 2011. After leaving the FDIC, she joined the Pew Charitable Trust as a senior advisor, a role she held from 2011 through 2015. Ms. Bair also served as president of Washington College from 2015 to

[2] Includes 26,458,653 Common Shares held by 9368-2672 Quebec Inc., a corporation which Marc Bedard has control over, directly and indirectly, of a majority of the voting shares.

2017, and senior advisor to the international law firm DLA Piper, from 2014 to 2015. Earlier in her career, she also served as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury from 2001 to 2002, Senior Vice President for Government Relations of the New York Stock Exchange from 1995 to 2000, Commissioner of the Commodity Futures Trading Commission from 1991 to 1995, and as counsel to Kansas Republican Senate Majority Leader Bob Dole from 1981 to 1988. She continues her work on financial policy issues as chair emerita of the Systemic Risk Council, which advocates for financial stability, founding director of the Volcker Alliance, which advances excellence in public service, and member of the Eminent Persons Group which advises the IFRS Foundation on sustainability reporting standards. Ms. Bair is a non-executive director of Bunge, Ltd where she serves as Deputy Chair, Chair of the Nominations and Corporate Governance Committee, and member of the audit and risk committees. She is a former non-executive director of Fannie Mae, Host Hotels & Resorts, Inc., and Thomson Reuters, where she chaired the risk committee. She is an accomplished author and has written several books on financial issues. She is a trustee of the prestigious Economists for Peace and Security, a select group of prominent economists and others committed to world security and prosperity. She holds a bachelors from the University of Kansas and a J.D. from the University of Kansas School of Law. She also holds honorary doctorates from Kansas University, Amherst College and Drexel University.

Pierre Larochelle (Chair)

Pierre Larochelle has served as a member of Lion's Board since October 2017, where he also serves as Chair of the Board. Mr. Larochelle has been an investor and financial advisor for the last 25 years. Since 2022, he is Co-Managing Partner at Idealist Capital. Previously, Mr. Larochelle was President and CEO of Power Energy, a subsidiary of Power Corporation of Canada and Partner, Co-Head of Energy Infrastructure at Power Sustainable Capital Inc., the parent company of Power Energy and a wholly-owned subsidiary of Power Corporation of Canada. Prior to joining Power Corporation of Canada, Mr. Larochelle was President and Chief Executive Officer at Adaltis Inc., a position he held between November 2003 and February 2009. Previously, he also held the positions of Vice-President, Business Development at Picchio Pharma Inc. and Vice-President, Mergers and Acquisitions for Credit Suisse First Boston in London, England. Mr. Larochelle started his career as a lawyer, at the Montreal offices of Ogilvy Renault. Mr. Larochelle also serves on the board of directors of Bellus Health Inc. Mr. Larochelle holds a law degree from Université de Montréal, a master's degree in international business law from McGill University and an MBA degree from INSEAD in Fontainebleau, France.

Dane L. Parker

Dane L. Parker has served as a member of Lion's Board since 2022. Mr. Parker is the former Chief Sustainability Officer and Vice President, Sustainable Workplaces at General Motors, where he served in such role from 2015 to 2021. In such a role, Mr. Parker was a leading force behind the company's plan to become carbon neutral by 2040 and aspiration to have zero-emissions from all new light-duty vehicles by 2035. Mr. Parker also held global responsibilities for facility design, engineering, construction, operations, energy procurement and efficiency, real estate, environmental compliance, as well as workplace strategy. Prior to General Motors, Mr. Parker was Vice President, Global Environment, Health and Safety, Facilities and Real Estate for Dell, Inc. He also spent more than 13 years at Intel Corporation in the Technology and Manufacturing organization in a variety of operational roles, including as Director of Global Environment, Health and Safety. Mr. Parker earned his Bachelor's in Political Sciences and his Master's in Business Administration degrees from Brigham Young University.

Ann L. Payne

Ann L. Payne has served as a member of Lion's Board since 2021. Ms. Payne served as an Audit Partner at PricewaterhouseCoopers LLP ("PwC"), a global accounting firm, from 1993 until her retirement in June 2019 and continued as a consultant until June 2020. At PwC, Ms. Payne provided professional services to domestic and international public and private corporations in the leisure, healthcare, and transportation sectors, led PwC's first U.S. based audit outsourcing center and provided support services for PwC's Audit Practice's National Quality Office. She currently serves as a member of the board of directors of

Inspirato Incorporated, a subscription-based luxury travel company listed on the NASDAQ, where she serves as the Audit Committee Chair and a member of the Nominating and Corporate Governance Committee. Ms. Payne currently holds leadership roles on several non-profit boards. Since September 2020, Ms. Payne has served as Chair of the Foundation Board for St. Thomas Aquinas High School. Since September 1980, Ms. Payne has been involved with and currently serves as the Treasurer and Board Member for Jack & Jill Children's Center. Since January 1981, Ms. Payne has been a member of the Junior League of Greater Fort Lauderdale where she held numerous positions including President. She is a Certified Public Accountant in the state of Florida and is a member of the American Institute of Certified Public Accountants. Ms. Payne holds a B.S., summa cum laude, from Barry University. She also attended Yale University's Women on Boards Program and earned a Scholar Certificate from the Kellogg School of Management's Executive Education Program. She earned a Certificate in Cybersecurity Oversight from Carnegie Mellon University and a Certificate from the University of South Florida's Diversity, Equity, and Inclusion in the Workplace Program, and she completed the National Association of Corporate Directors' Virtual Director Professionalism Program.

Pierre-Olivier Perras

Pierre-Olivier Perras has served as a member of Lion's Board since January 2021. Mr. Perras is the Managing Partner of Power Sustainable Energy Infrastructure Partnership. Prior to joining Power Sustainable, Mr. Perras worked at BMO Capital Markets, for over two decades, where he held various leadership positions in the Investment and Corporate Banking Group, in his last role he was Head of the Power, Utilities and Infrastructure Group, leading an international team across North America and Europe. Prior to joining BMO Capital Markets, Mr. Perras was a senior consultant analyst with an actuarial consultant. As part of his role at Power Sustainable, Mr. Perras also serves as Chair of the board of directors of Nautilus Solar and Potentia Renewables Inc. and also sits on the board of Lumenpulse Inc. Mr. Perras holds a Master of Business Administration degree from McGill University and a Bachelor of Science in Actuarial Sciences from Laval University. He is a Chartered Financial Analyst (CFA).

Michel Ringuet

Michel Ringuet has served as a member of Lion's Board since October 2017 and is, since May 2021, the Company's Lead Director. Mr. Ringuet is also the chair of the Audit Committee. From 2006 to 2016, Mr. Ringuet served as Chief Executive Officer of Master Group Inc., a leader in the distribution of HVAC/R equipment in North America, where he also served from 1990 to 2006 as Vice-President Finance and Administration. Prior to joining the Master Group, Mr. Ringuet worked in various finance and investment departments at the National Bank of Canada and Bank of Montréal. Mr. Ringuet sits on the board of Lumenpulse Inc., where he previously served on the audit committee while the company was listed on the TSX. Mr. Ringuet is also actively involved in the private equity industry, notably as one of the founding partners in W Investment Groups I and II, and also as member of the investment committees of BDG-Appalaches I and II, and Cycle Capital Management I and III. Mr. Ringuet holds a bachelor's degree in administration from Université Laval and an MBA from McGill University.

Lorenzo Roccia

Lorenzo Roccia has served as a member of Lion's Board since 2021. Mr. Roccia is Chair of Transatlantic Holdings, an international financial holding company with interests in the financial services, logistics, energy, and beer sectors in the United States, Latin America and Europe, since 2009. Additionally, he is a Founder & Chair of Transatlantic Power Holdings and non-executive Director of Skyline Renewables, an independent renewable energy companies in the United States with over 1GW+ of Wind and Solar assets. Mr. Roccia founded Roccia Ventures, L.P. and became a major shareholder and Senior Analyst in the Private Equity Group of Wit Soundview, an internet and technology Investment Bank. Roccia Ventures, L.P. became one of the largest shareholders of the bank along with the Goldman Sachs Group,

Draper Fisher Jurvetson and Mitsubishi Corporation. The firm was taken public and subsequently sold to the Charles Schwab Group. Mr. Roccia started his career with Salomon Smith Barney.

Pierre Wilkie

Pierre Wilkie has served as a member of Lion's Board from 2011 to 2017 and again since May 2019. He is the chair of the Human Resources and Compensation Committee since February 2022. Mr. Wilkie is a serial entrepreneur who has founded or participated in the creation of many enterprises, including in the manufacturing industry. He is currently the co-owner of M.A.C. Métal Architectural Inc. He also serves as the President of Déco Nat Inc. Prior to that, he acted as the co-president of Laboratoire Dr Renaud Inc. Mr. Wilkie holds a bachelor's degree in Economy and Finance from the École des Hautes Études Commerciales (HEC), Université de Montréal.

Executive Officers

Marc Bedard (CEO-Founder and Director)

Marc Bedard has served as Lion's CEO—Founder and as a member of Lion's Board since Lion's incorporation in 2008. Prior to founding Lion, Mr. Bedard served as vice-president and chief financial officer of Les Entreprises Barrette Ltée, a leading manufacturer of wood and vinyl products for construction and exterior use in North America, from 2003 to 2007. Previously, Mr. Bedard was a partner at Pricewaterhouse LLP, a national partnership of professional accountants and consultants, from 1996 to 2003. Mr. Bedard is a certified chartered professional accountant and has been a member of the *Ordre des comptables professionnels agréées du Quebec* since 1987. Mr. Bedard holds a Bachelor of Business Administration from the École des Hautes Études Commerciales (HEC), Université de Montréal.

Nicolas Brunet (Executive Vice-President and Chief Financial Officer)

Nicolas Brunet is the Executive Vice-President and Chief Financial Officer of the Company since 2019. Prior to joining Lion, he was a Managing Director in BMO Capital Markets' Montréal Investment and Corporate Banking Group, specializing in capital markets advisory and financing solutions. Mr. Brunet held various positions in the field of investment banking from 2004 to 2019, both at BMO Capital Markets and at NM Rothschild & Sons. Since 2022, he sits on the Board of the CHU Sainte-Justine Foundation, one of the most important pediatric centers in North America. He previously sat on the Board of the Fondation Jeunes en Tête, a non-profit organization focused on the mental well-being of Quebec's youth, and acted as its treasurer from 2015 to 2020. Nicolas holds a Bachelor of Commerce from McGill University.

François Beaulieu (Chief Information Officer)

François Beaulieu is the Chief Information Officer of Lion since June 2021. Mr. Beaulieu brings with him over three decades of experience leading information system design in a variety of industries in both Canada and Europe, including banking, insurance and telecommunications, where he served as CIO at Cogeco, one of Canada's top providers in the segment. Since 2011, Mr. Beaulieu has worked in a variety of consulting capacities, managing major digital infrastructure transitions and optimizing back-office platforms for clients such as Banque Nationale, WSP and Air Canada, among others. Most recently he served as a strategic technology advisor for Eficio's CIO on Demand service, which helps organizations of various sizes achieve their digital transformation goals by providing IT expertise. Mr. Beaulieu holds a Bachelor's degree in Business Administration and a Master's degree in Information Technology from HEC Montreal. He also holds several professional certifications related to his field of expertise (PMP, PSM, SAFe 5).

François Duquette (Chief Legal Officer and Corporate Secretary)

François Duquette is the Chief Legal Officer and Corporate Secretary of Lion since April 2021. Prior to joining Lion, he was Managing Director, Global Private Equity at Caisse de dépôt et placement du Quebec (“CDPQ”) which he joined in 2015 as Vice-President, Legal Affairs, Investment. In his recent role, he co-led CDPQ’s private equity direct investment strategy outside of Quebec, primarily in Europe and Asia Pacific. Mr. Duquette also co-chaired CDPQ’s International Private Equity and Technology Investment Committees. Before joining CDPQ, he was a Partner at Allen & Overy LLP, an international law firm, where he specialized in mergers and acquisitions. During his years with the firm, he worked in their Toronto, Abu Dhabi and Casablanca offices. Prior to Allen & Overy, Mr Duquette practiced in Paris and Abu Dhabi with international law firm Simmons & Simmons LLP. Mr. Duquette holds a Bachelor of Civil Law (BCL) and a Juris Doctor (JD) from McGill University. He is a member of the Barreau du Quebec and a Solicitor of the Senior Courts of England and Wales.

Nathalie Giroux (Chief People Officer)

Nathalie Giroux is the Chief People Officer of Lion since August 2021. Prior to joining Lion, she served in the same role at Uni-Select, an automotive aftermarket and refinishing specialty company, a company she joined following several years in the aviation industry, having held the position of Vice President of Human Resources, Defense and Security at CAE. Ms. Giroux also previously served in a management role overseeing global rewards at Molson Coors. Her past experience includes membership in several human resources and governance committees in numerous positions, and she has contributed to a number of successful corporate mergers and acquisitions. Mrs. Giroux holds a Bachelor of Science degree with a Minor in Business Studies from Concordia University. She also retains a fellow position at the Canadian Institute of Actuaries and is a Certified Corporate Director, in addition to serving as a Board Member of the Collège André-Grasset Foundation.

Brian Piern (Chief Commercial Officer)

Brian Piern is the Chief Commercial Officer of Lion since June 2021. Prior to joining Lion, Mr. Piern most recently served as Vice President, Sales and Marketing at XL Fleet Corp., where he directed the development of the firm’s commercial team. Prior to this role, he served as Senior Vice President of Sales at Element Fleet Management and previously held the same position at GE Capital, leading the development and execution of multimillion-dollar sales strategies. He has also served in senior roles at Schneider National, Lockheed Martin, and Citicorp. Mr. Piern holds a Bachelor of Science degree in Marketing from Towson University in Maryland and a Master of Business Administration with a concentration in Marketing from the University of Phoenix.

Yannick Poulin (Chief Operating Officer)

Yannick Poulin has served as Lion’s Chief Operating Officer since April 2016. From October 2013 to April 2016, Mr. Poulin held positions of increasing responsibility at Paradox Security Systems, an international security and alarm systems manufacturer and solutions provider, including the position of Chief Operating Officer and Plant General Manager. Previously, Mr. Poulin held various positions related to production and manufacturing at Electrolux, an international home appliance manufacturer. Mr. Poulin holds a Bachelor of Business Administration from the John Molson School of Business, Concordia University.

Rocco Mezzatesta (Senior Vice-President, Product Development & Engineering and Chief Technology Officer)

Rocco Mezzatesta has served as Lion’s Sr. VP Product Development & Engineering and Chief Technology Officer since April 2021. Prior to that, Mr. Mezzatesta served as the Global Vice President of Operations for Dometic. Mr. Mezzatesta was the President of ROC Consulting group for 9 years, working in Automotive (Tesla, Magna, Ford) in various roles focused on product launch, global quality, organizational development, facility equipment and testing development, and operational critical problem resolution, and with other clients (Whirlpool, Electrolux, Alcoa, Torrington) while working under Hajime

Ohba consulting and executing business correction strategies. Mr. Mezzatesta began his career in R&D with Pebra Gmbh, and joined Toyota in 1987, working through various development, product launch, facility, logistics, process improvement roles, and later with Ford Motor Company as the MP&L Engineering manager and later FPS plant manager.

11.3 Cease Trade Orders, Bankruptcies and Securities Penalties or Sanctions

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity), was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case, for a period of more than 30 consecutive days.

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company (including the Company), that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Company's directors or executive officers has, within the 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or comprise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding company of any such person has (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

11.4 Conflicts of Interest

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its directors, officers or other members of management as a result of their outside business interests except that certain of the Company's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See 11 entitled "Directors and Officers" and section 14 entitled "Interest of Management and Others in Material Transactions."

11.5 Indemnification and Insurance

The Company has implemented a director and officer insurance program and has entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and executive officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The

indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

12. Audit Committee Information

12.1 Charter of the Audit Committee

The Board of Directors has adopted a written charter (the "**Charter of the Audit Committee**") describing the mandate of the audit committee (the "**Audit Committee**"). The Audit Committee's responsibilities include:

- appointing, compensating, retaining and overseeing the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services and reviewing and appraising the audit efforts of the Company's independent accountants;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by the Company's independent registered public accounting firm;
- establishing procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (ii) confidential and anonymous submissions by the Company's employees of concerns regarding questionable accounting or auditing matters;
- engaging independent counsel and other advisers, as necessary and determining funding of various services provided by accountants or advisers retained by the committee;
- reviewing the Company's financial reporting processes and internal controls;
- establishing, overseeing and dealing with issues related to the Company's code of ethics for managers and financial officers;
- reviewing and approving related-party transactions or recommending related-party transactions for review by independent members of the Company's Board; and
- providing an open avenue of communication among the independent accountants, financial and senior management and the Company's Board.

Additional information relating to the Audit Committee can be found under the Company's profiles on SEDAR at www.sedar.com and on EDGAR at www.sec.gov and on the Company's website at ir.thelionelectric.com. The text of the Charter of the Audit Committee is attached to this Annual Information Form as Appendix A.

12.2 Composition of the Audit Committee

The Company's Audit Committee is composed of three members, namely Michel Ringuet, Latasha Akoma and Ann L. Payne, with Mr. Ringuet serving as chair of the committee. Lion's Board has determined that all such directors meet the independence requirements under the NYSE Company Manual, National Instrument 52-110 – Audit Committees ("**NI 52-110**") and under Rule 10A-3 of the Exchange Act. Lion complies with NI 52-110 by relying on the exemptions for U.S. listed issuers thereunder. Each member of the Audit Committee is also financially literate within the meaning of NI 52-110. See section 12.3 of this Annual Information Form entitled "Relevant Education and Experience of the Audit Committee Members."

12.3 Relevant Education and Experience of the Audit Committee Members

Each member of the Audit Committee has (i) an understanding of the accounting principles used by the Company to prepare its financial statements, (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions, (iii) experience in the preparation, audit, analysis or evaluation of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements

(or experience in actively supervising individuals engaged in same), and (iv) an understanding of the internal controls and procedures necessary for financial reporting.

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

Name	Relevant Experience
Latasha Akoma Director since 2022	Ms. Akoma is Operating Partner at GenNx360 Capital Partner, a private equity firm focused on investing in industrial and business services companies in the U.S. middle market. Prior to joining GenNx360 Capital Partner, she held several executive leadership positions at Harley-Davidson Motor Company, a company she joined in 2009 as the Director of Operations, with responsibility for vehicle assembly and materials management. Prior to that, Ms. Akoma was a Senior Manager of Paint Operations at Chrysler (formerly DaimlerChrysler) where she held a variety of increasing senior leadership positions in operations and general management. She brings over 26 years of managerial experience in all aspects of manufacturing, operations, and business strategies. Ms. Akoma holds an MBA from Northwestern's Kellogg School of Management, an MSc in Engineering Management from the University of Michigan, and a BSc in Mechanical Engineering with a minor in Energy & Robotics from Howard University.
Ann L. Payne Director since 2021	Ms. Payne served as an Audit Partner at PricewaterhouseCoopers LLP, a global accounting firm, from 1993 until her retirement in June 2019 and continued as a consultant until June 2020. At PwC, Ms. Payne provided professional services to domestic and international public and private corporations in the leisure, healthcare, and transportation sectors, led PwC's first U.S. based audit outsourcing center and provided support services for PwC's Audit Practice's National Quality Office. She currently serves as a member of the board of directors of Inspirato Incorporated, a luxury hospitality brand listed on the NASDAQ, where she serves as the Audit Committee Chair and a member of the Nominating and Corporate Governance Committee. She is a Certified Public Accountant in the state of Florida and is a member of the American Institute of Certified Public Accountants. Ms. Payne holds a B.S., summa cum laude, from Barry University. She also attended Yale University's Women on Boards Program and earned a Scholar Certificate from the Kellogg School of Management's Executive Education Program. She earned a CERT - Certificate in Cybersecurity Oversight from Carnegie Mellon University.
Michel Ringuet Director since 2017	Michel Ringuet has served as a member of Lion's Board since October 2017 and is, since May 2021, the Company's Lead Director. From 2006 to 2016, Mr. Ringuet served as Chief Executive Officer of Master Group Inc., a leader in the distribution of HVAC/R equipment in eastern Canada, where he also served from 1990 to 2006 as Vice-President Finance and Administration. Prior to joining the Master Group, Mr. Ringuet worked in various finance and investment departments at the National Bank of Canada and Bank of Montréal. Mr. Ringuet sits on the board of Lumenpulse Inc., where he previously served on the audit committee while the company was listed on the TSX. Mr. Ringuet holds a bachelor's degree in administration from Université Laval and an MBA from McGill University.

12.4 Pre-Approval Policies and Procedures

In accordance with the provisions of the Charter of the Audit Committee, the Audit Committee is responsible for the pre-approval of all and any non-audit services to be provided to the Company or its subsidiary entities by the independent auditor, and any new mandates relating to non-audit services for which approval was not previously provided are confirmed with the Chair of the Audit Committee prior to the independent auditor performing any such services. At least annually, the Audit Committee reviews and confirms the independence of the independent auditor by obtaining statements from the independent auditor on any non-audit services.

12.5 External Auditor Service Fees

The Company's independent auditors are Raymond Chabot Grant Thornton LLP, located at 600 de la Gauchetiere Street West, Suite 2000, Montreal, Quebec, H3B 4L8.

For fiscal 2022 and fiscal 2021, the Company was billed the following fees by its independent auditor, Raymond Chabot Grant Thornton LLP:

	Fiscal 2022	Fiscal 2021
Audit Fees(1)	C$599,225	C$664,050
Audit Related Fees(2)	C$86,500	C$30,575
Tax Fees(3)	C$99,966	C$73,010
All Other Fees(4)	C$77,000	C$37,500
Total Fees Paid	**C$862,691**	**C$805,135**

(1) "Audit Fees" include fees necessary to perform the annual audit or reviews of the consolidated financial statements. This category also includes audit or review fees related to procedures performed in connection with prospectus and registration statement filings.
(2) "Audit Related Fees" include fees for assurance and related services by the independent auditor that are reasonably related to the performance of the audit or review of the Company's financial statements other than those included in "Audit Fees", such as advisory on accounting and reporting matters.
(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees." This category includes fees for tax compliance, as well assistance with responding to tax related questions.
(4) "Other Fees" include fees for products and services provided by the independent auditor other than those included above. This category includes fees related to translation services.

13. Legal Proceedings and Regulatory Actions

From time to time, the Company is involved in legal or regulatory proceedings and claims arising in the ordinary course of business. When required, the Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Except as described in this section 13 or elsewhere in this Annual Information Form, the Company is not currently, nor since the beginning of its most recently completed financial year has been, a party to any material litigation or regulatory proceeding and is not aware of any pending or threatened litigation or regulatory proceeding against it that could, if determined adversely to it, have a material adverse effect on its business, results of operations or financial condition.

As previously disclosed, the Company entered into a multi-year supply contract with Romeo (now a subsidiary of Nikola) in November 2020 pursuant to which the Company has committed to purchase from Romeo, and Romeo has committed to supply to the Company, battery packs, subject to an agreed upon maximum purchase price. The Company has issued certain purchase orders to Romeo for the purchase of battery packs and Romeo has failed to comply with its obligations under such orders and the Company believes as of the date hereof that it is unlikely that Romeo will voluntarily comply with its obligations under the contract and outstanding purchase orders. The Company initiated arbitration proceedings in order to enforce the terms and conditions of the contract. As per the terms of the contract, the arbitration proceedings are conducted on a confidential basis. While the Company continues to monitor the situation closely, the Company expects that the situation will result in further delays and challenges with the supply from Romeo on the terms initially agreed upon as well as significant costs and expenses relating to the procedures undertaken by the Company, all of which could, in addition to adversely impacting the Company's manufacturing operations and the deliveries of Lion8T models, materially adversely affect the Company's business, results of operations or financial condition. In the beginning of 2023, the Company also initiated legal proceedings against Nikola (another manufacturer of electric vehicles which is also relying on battery modules and packs and completed the acquisition of Romeo in the fourth quarter of fiscal 2022) on the basis that it intentionally interfered in the Company's contractual relationship with Romeo and in the Company's business expectancy with respect to its relationship with Romeo. See section 2 of this Annual Information Form entitled "Cautionary Note Regarding Forward-Looking Statements" and section 23.0 of the Company's MD&A entitled "Risk Factors."

14. Interest of Management and Others in Material Transactions

Except as described in this section 14 or elsewhere in this Annual Information Form, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

December 2022 Units Offering

PEC purchased 9,842,519 Units for an aggregate purchase price of approximately $25 million in connection with the December 2022 Offering.

Nomination Rights Agreement

Pursuant to the Nomination Rights Agreement entered into on May 6, 2021 between the Company, PEC and 9368-2672 Quebec Inc. ("**9368-2672**"), to the extent that any party and its permitted holders (including its affiliates) collectively hold at least 20% of the outstanding Common Shares (on a non-diluted basis), such party is entitled to designate a number of director nominees, between two and four nominees, equal to the product of (rounding to the nearest whole number) (i) the percentage of the outstanding Common Shares held by it (on a non-diluted basis) multiplied by (ii) the size of Lion's Board. In addition, 9368-2672 will, for so long as it and its affiliates collectively hold at least 5% of the outstanding Common Shares (on a non-diluted basis), be entitled to designate (i) for so long as Marc Bedard serves as chief executive officer of Lion, one director nominee (in addition to Marc Bedard, who will be appointed to Lion's Board for so long as he serves as chief executive officer thereof) and (ii) at any other time, Marc Bedard as a director nominee. See "Nomination Rights Agreement" under section 16 of this Annual Information Form entitled "Material Contracts."

Registration Rights Agreement

Effective as of closing of the Business Combination, Lion entered into the Registration Rights Agreement pursuant to which, subject to the terms and conditions contained therein, each of Power Energy, 9368-2672 and the Specified Warrantholder were granted certain rights with respect to the registration or qualification by prospectus in the United States and/or Canada of the sale of the Common Shares held by them. See "Registration Rights Agreement" under section 16 of this Annual Information Form entitled "Material Contracts."

PIPE Financing

In connection with the PIPE Financing, Lion entered into subscription agreement with PEC pursuant to which PEC purchased, subject to the terms and conditions contained therein, a total of 1,662,500 Common Shares for a total purchase price of $16,625,000. In addition, Lion entered into subscription agreements with certain of Lion's shareholders, directors and/or officers pursuant to which such subscribers purchased, directly or indirectly, subject to the terms and conditions contained therein, Common Shares at a purchase price of $10.00 per share. Such Common Shares were acquired upon the same terms and conditions as the Common Shares acquired by all other subscribers in the PIPE Financing.

15. Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Shares in Canada is TSX Trust Company, at its principal office in Montreal, Quebec, and in the United States is American Stock Transfer & Trust Company, LLC, at its principal office in Brooklyn, New York.

The warrant agent for the Business Combination Warrants is American Stock Transfer & Trust Company, LLC, at its principal office in Brooklyn, New York.

The warrant agent for the 2022 Warrants is TSX Trust Company, at its principal office in Toronto, Ontario.

16. Material Contracts

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last financial year ended December 31, 2022, or entered into prior to such date, but which are still in effect.

Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, should be read in conjunction with, and is qualified in its entirety by reference to, the relevant material contract, a copy of which is on the Company's profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Credit Agreement with Banking Syndicate

On August 11, 2021, Lion entered into the Revolving Credit Agreement with a syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec. The Revolving Credit Agreement was amended on January 25, 2022 to increase the maximum principal amount that may become available from time to time under the revolving credit facility, subject to the borrowing base and compliance with the covenants contained under the Revolving Credit Agreement, from $100,000,000 to $200,000,000. The credit facility under the Revolving Credit Agreement is available for use to finance working capital and for other general corporate purposes, and available to be drawn subject to a borrowing base comprised of eligible accounts (including insured or investment grade accounts) and eligible inventory, in each case, subject to customary eligibility and exclusionary criteria, advance rates and reserves. See "Credit Agreement with Banking Syndicate" under section 9 of this Annual Information Form entitled "Description of Material Indebtedness."

Registration Rights Agreement

On May 6, 2021, Lion entered into a registration rights agreement among the Company, PEC, 9368-2672 and the Specified Warrantholder (the "**Registration Right Agreement**"), pursuant to which, subject to the terms and conditions contained therein, each of PEC, 9368-2672 and the Specified Warrantholder were granted certain rights with respect to the registration or qualification by prospectus in the United States and/or Canada of the sale of the Common Shares held by them.

Pursuant to the Registration Rights Agreement, to the extent that any party and its permitted transferees (including its affiliates) hold at least 10% of the outstanding Common Shares on a non-diluted basis and provided such Common Shares are "Registrable Securities" as contemplated by the Registration Rights Agreement, such party is entitled to certain demand registration rights which enable them to require Lion to file a registration statement and/or a Canadian prospectus and otherwise assist with underwritten public offerings of Common Shares under the Securities Act and applicable Canadian securities laws, in accordance with the terms and conditions of the Registration Rights Agreement. Each party is also entitled to certain incidental registration rights in connection with demand registrations initiated by another party to the Registration Rights Agreement, as well as to certain "piggy-back" registration rights in the event that Lion proposes to register securities as part of a public offering. All costs and expenses associated with any demand registration or "piggy-back" registration will be borne by Lion other than underwriting discounts, commissions and transfer taxes, if any, attributable to the sale of Common Shares by the applicable selling shareholder. Lion will also be required to provide indemnification and contribution for the benefit of the other parties to the Registration Rights Agreement and their respective affiliates and representatives in connection with any demand registration or "piggy-back" registration.

Nomination Rights Agreement

On May 6, 2021, Lion entered into a nomination rights agreement among the Company, PEC and 9368-2672 (the "**Nomination Rights Agreement**") pursuant to which, subject to the terms and conditions contained therein, each of PEC and 9368-2672 were granted certain rights to nominate members of Lion's Board (including, in certain cases, members of committees of Lion's Board) for so long as it holds a requisite percentage of the total voting power of Lion.

Pursuant to the Nomination Rights Agreement, to the extent that any party and its permitted holders (including its affiliates) collectively hold at least 20% of the outstanding Common Shares (on a non-diluted basis), such party is entitled to designate a number of director nominees, between two and four nominees, equal to the product of (rounding to the nearest whole number) (i) the percentage of the outstanding Common Shares held by it (on a non-diluted basis) multiplied by (ii) the size of Lion's Board.

In addition, 9368-2672 will, for so long as it and its affiliates collectively hold at least 5% of the outstanding Common Shares (on a non-diluted basis), be entitled to designate (i) for so long as Marc Bedard serves as chief executive officer of Lion, one director nominee (in addition to Marc Bedard, who will be appointed to Lion's Board for so long as he serves as chief executive officer thereof) and (ii) at any other time, Marc Bedard as a director nominee. See "Nomination Rights Agreement" under section 16 of this Annual Information Form entitled "Material Contracts."

The nomination rights contained in the Nomination Rights Agreement provide that PEC and 9368-2672, at the relevant time, will cast all votes to which they are entitled to elect directors designated in accordance with the terms and conditions of the Nomination Rights Agreement.

The Nomination Rights Agreement further provides that for so long as PEC has the right to designate a director nominee, it shall have the right to designate one of its director nominees as the Chair of Lion's Board. In the event that such designated director nominee is not an independent director, the remaining directors will select a lead independent director from amongst the independent directors of Lion's Board.

The foregoing rights of PEC and 9368-2672 to so designate director nominees will be submitted for approval of Lion's shareholders at the first annual meeting of the shareholders of Lion to be held following the fifth anniversary of the date of the Nomination Rights Agreement (May 6, 2026), and at every fifth annual meeting of the shareholders of Lion shareholders thereafter. Failing approval by the shareholders of Lion, such nomination rights will become void and shall have no further force or effect.

Business Combination Warrant and Business Combination Warrant Assignment Agreement

Upon completion of the Business Combination, each outstanding warrant to purchase shares of NGA's common stock was converted into a Business Combination Warrant, with each Business Combination Warrant entitling the holder thereof to acquire one Common Share at a price of $11.50 per share. Pursuant the Warrant Assignment Agreement, on May 6, 2021, NGA assigned to Lion all of NGA's rights, interests and obligations in and under the Business Combination Warrant Agreement, and Lion accepted such assignment and assumed all of NGA's obligations thereunder. See "Business Combination Warrant and Business Combination Warrant Assignment Agreement" under section 7 entitled "Description of Capital Structure" of this Annual Information Form for a description of the terms of the Business Combination Warrants.

Warrant Indenture governing the 2022 Warrants

On December 16, 2022, the Company entered into the 2022 Warrant Indenture with TSX Trust Company, as warrant agent, in connection with closing of the December 2022 Offering. The 2022 Warrant Indenture governs the 2022 Warrants. Each whole 2022 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 per Common Share for a period of five years ending December 15, 2027, subject to adjustment in certain customary events. See "2022 Warrants" under section 7 entitled "Description of Capital Structure" of this Annual Information Form for a description of the terms of the Business Combination Warrants.

Purchase Agreement with Romeo Systems, Inc.

On November 17, 2020, Lion entered into a multi-year supply contract with Romeo, a designer and manufacturer of lithium-ion battery modules and packs for commercial EVs and now a subsidiary of Nikola, pursuant to which the Company has committed to purchase from Romeo, and Romeo has committed to supply to the Company, battery packs, subject to an agreed upon maximum purchase price. See section 13 of this Annual Information Form entitled "Legal Proceedings and Regulatory Actions."

Master Purchase Agreement with Amazon Logistics, Inc.

Lion entered into a master purchase agreement effective June 29, 2020 and a work order effective July 6, 2020 with the Specified Customer, being Amazon Logistics, Inc., that sets a framework for the purchase by the Specified Customer of Lion6 and Lion8 Tractor all-electric trucks. Under the MPA, Lion is required

to, subject to the terms and conditions set out therein, among other things, reserve the necessary manufacturing capacity to meet forecasted volumes and delivery schedules agreed upon with the Specified Customer in accordance with the terms of the MPA. Pursuant to the MPA, Lion may be required to reserve manufacturing capacity in respect of forecasted volumes representing up to 500 trucks per year from 2021 to 2025 and the greater of 500 trucks per year or 10% of Lion's manufacturing capacity from 2026 to 2030. In addition, Lion is required to provide ongoing maintenance and training assistance to the Specified Customer under the terms of the MPA. Other than vehicles that are subject to an existing purchase order, the Specified Customer is not required to purchase any specified minimum quantity of vehicles from Lion under the MPA. The MPA will remain in force until December 31, 2025, unless terminated earlier in accordance with its terms. Thereafter, the MPA will be automatically renewed on a month-to-month basis until either party terminates the MPA in accordance with its terms. The Specified Customer may terminate the MPA at any time without cause by providing at least six months' prior written notice to Lion or upon the occurrence of certain events, including a material breach by Lion of the MPA, certain insolvency events and upon a change of control of Lion (as defined in the Specified Customer Warrant). Under the MPA, except in specific circumstances, the Specified Customer may not cancel any previously submitted and accepted purchase order within three (3) months of a scheduled delivery date, and any cancellation occurring during the period from the date that is six (6) months and the date that is three (3) months prior to a scheduled delivery date triggers the payment of a cancellation fee. Any submitted and accepted purchase order may be cancelled by the Specified Customer without penalty prior to the date that is six (6) months prior to a scheduled delivery date.

Specified Customer Warrant

In connection with entering into the MPA, Lion issued on July 1, 2020 the Specified Customer Warrant to the Specified Warrantholder which vests, subject to the terms and conditions contained therein, based on the aggregate amount of spending by the Specified Customer and its affiliates on Lion products or services. At the election of the Specified Warrantholder, any vested portion of the Specified Customer Warrant can be exercised either on a cash basis by the payment of the applicable exercise price or on a net issuance basis based on the in-the-money value of the Specified Customer Warrant. The exercise price of the Specified Customer Warrant corresponds to $5.66 per Common Share and the Specified Customer Warrant will be, if and when fully vested, exercisable for 35,350,003 Common Shares upon an exercise on a cash basis. Full vesting of the Specified Customer Warrant requires spending of at least $1.2 billion on Lion products or services over the term of the Specified Customer Warrant, subject to partial or full accelerated vesting upon the occurrence of certain events, including a change of control of Lion (as such term is defined in the Specified Customer Warrant) or a termination of the MPA by the Specified Customer for cause. See "Specified Customer Warrants" under section 7 entitled "Description of Capital Structure" of this Annual Information Form for a description of the terms of the Specified Customer Warrant.

17. Interest of Experts

The independent auditors of the Company are Raymond Chabot Grant Thornton LLP, an independent registered public accounting firm, located at 600 de la Gauchetiere Street West, Suite 2000, Montreal, Quebec, H3B 4L8. Raymond Chabot Grant Thornton LLP has confirmed that it is independent of the Company within the meaning of the Code of Ethics of Chartered Professional Accountants (Quebec) and of the U.S. Securities Act of 1933, and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

18. Certain United States Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of the Company's Business Combination Warrants and 2022 Warrants (each a "Warrant" and, collectively, the "Warrants") and Common Shares by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986 (the "Code"), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof, and the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital dated August 16, 1984 (as amended by any subsequent protocols) (the "Treaty"). Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor's decision to purchase, hold, or dispose of Warrants or Common Shares. In particular, this summary is directed only to U.S. Holders that hold Warrants or Common Shares as capital assets and does not address particular tax consequences that may be applicable to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax-exempt entities, regulated investment companies, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes (or partners therein), holders that own or are treated as owning 10% or more of the Company's stock by vote or value, persons holding Warrants or Common Shares as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or foreign taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Common Shares or Warrants.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Warrants or Common Shares that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such Warrants or Common Shares.

U.S. Holders should consult their own tax advisors about the consequences of the acquisition, ownership, and disposition of the Warrants or Common Shares, including the relevance to their particular situations of the considerations discussed below and any consequences arising under foreign, state, local or other tax laws.

Tax Residence of the Company for U.S. Federal Income Tax Purposes

A corporation is generally considered for U.S. federal income tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, the Company, which is organized under the laws of the Province of Quebec (Canada), would be treated as a non-U.S. corporation (and, therefore, not a U.S. tax resident) for U.S. federal income tax purposes. Section 7874 of the Code provides an exception to this general rule, under which a non-U.S. organized entity might, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and guidance regarding their application is unclear and incomplete.

Under Section 7874 of the Code, an entity that is treated as a corporation for U.S. federal income tax purposes and organized outside the United States (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (and, therefore, as a U.S. tax resident subject to U.S. federal income tax on its worldwide income) if each of the following three conditions are met: (i) the non-U.S. corporation, directly or indirectly, acquires substantially all of the properties held directly or indirectly by a U.S. corporation (including through the acquisition of all of the outstanding shares of the U.S. corporation), (ii) the non-U.S. corporation's "expanded affiliated group" does not have "substantial business activities" in the non-U.S. corporation's country of organization or incorporation (and tax residence) relative to the expanded affiliated group's worldwide activities (the "Substantial Business Activities Exception"), and (iii) after the acquisition, the former stockholders of the acquired U.S. corporation hold at least 80% (by either vote or value) of the shares of the non-U.S. acquiring corporation by reason of holding shares in the U.S. acquired corporation (taking into account the receipt of the non-U.S. corporation's shares in exchange for the U.S. corporation's shares) as determined for purposes of Section 7874 of the Code (the "Ownership Test").

Additionally, the Company and its shareholders may be exposed to other adverse tax consequences (including the denial of the preferential rate that applies to “qualified dividends” discussed under “Taxation of Dividends”, below) if it is determined that conditions described (i) and (ii) of the preceding paragraph are met and the Ownership Test applicable to the Company as a result of the Business Combination is less than 80% but at least 60% (the “60% Inversion Rules”).

As a result of the Business Combination, the determination of whether the Company will be treated as a U.S. corporation for U.S. federal income tax purposes depends on whether the Company satisfies the Ownership Test and, if it does, whether it satisfies the Substantial Business Activities Exception. Based upon the terms of the Business Combination, the rules for determining share ownership under Section 7874 of the Code and the Treasury regulations promulgated thereunder, and certain factual assumptions, the Company currently believes that former holders of NGA common stock held less than 60% (by both vote and value) of the Company Common Shares by reason of holding NGA common stock as determined for purposes of Section 7874 of the Code. In addition, the Company believes it might satisfy the Substantial Business Activities Exception. Accordingly, the Company does not believe it is treated as a U.S. corporation for U.S. federal income tax purposes or subject to the 60% Inversion Rules, and the Company takes this position on its tax returns. The rules for determining ownership under Section 7874 of the Code are complex, unclear, and the subject of ongoing regulatory change. Thus, the Company’s reporting positions described herein are not free from doubt.

The Company has not sought and will not seek any rulings from the Internal Revenue Service (“IRS”) as to such tax treatment. The Company has not and will not obtain an opinion regarding its treatment as a U.S. corporation under Section 7874 of the Code or the application of the 60% Inversion Rules to it, and there can be no assurance that such an opinion could be obtained or, if obtained, would be provided at the desired level of certainty in the future. Moreover, regardless of whether the Company could obtain such an opinion, there can be no assurance that tax advisors or the IRS would not take a contrary position to those described above or that such a contrary position would not be sustained by a court.

If the Company were to be treated as a U.S. corporation for U.S. federal income tax purposes, this could result in a number of negative tax consequences for the Company and its shareholders. For example, the Company would be subject to U.S. federal income tax on its worldwide income and, as a result, could be subject to substantial liabilities for additional U.S. income taxes. Moreover, the gross amount of any dividend payments to the Company’s non-U.S. Holders could be subject to 30% U.S. withholding tax (depending on the application of any income tax treaty that might apply to reduce the withholding tax).

Consistent with the Company’s reporting position, the remainder of this discussion assumes that the Company is not treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code and is not subject to the 60% Inversion Rules. However, the Company is not representing that (i) it will not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code or (ii) it will not be subject to the 60% Inversion Rules.

Exercise or Lapse of a Warrant

Subject to the PFIC rules discussed below and except as discussed below with respect to the cashless exercise of a Warrant, a U.S. Holder generally will not recognize gain or loss upon the exercise of a Warrant for cash. A holder’s initial tax basis in a Warrant should equal the cost of such Warrant. A U.S. Holder’s tax basis in a Common Share acquired pursuant to the exercise of a Warrant for cash generally will be equal to the sum of the U.S. Holder’s tax basis in the Warrant and the exercise price. It is unclear whether a U.S. Holder’s holding period for the Common Shares will commence on the date of exercise of the Warrant or on the day following the date of exercise of the Warrant; in either case, the holding period will not include the period during which the U.S. Holder held the Warrant. If a Warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder’s tax basis in the Warrant.

The tax consequences of a cashless exercise of a Warrant are not clear under current U.S. federal income tax law. Subject to the PFIC rules discussed below, a cashless exercise may be tax-free, either because the exercise is not a realization event or because the exercise is treated as a “recapitalization”

for U.S. federal income tax purposes. In either tax-free situation, a U.S. Holder's tax basis in the Common Share received generally would equal the U.S. Holder's tax basis in the Warrants. If a cashless exercise is not treated as a realization event, it is unclear whether a U.S. Holder's holding period for the Common Shares would be treated as commencing on the date of exercise of the Warrant or the following day. If a cashless exercise is treated as a recapitalization, the holding period of the Common Shares would include the holding period of the Warrants.

It is also possible that a cashless exercise may be treated as a taxable exchange. In such an event, a U.S. Holder could be deemed to have surrendered Warrants with an aggregate fair market value equal to the exercise price for the total number of Warrants to be exercised. Subject to the PFIC rules discussed below, the U.S. Holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the Warrants deemed surrendered and the U.S. Holder's tax basis in such Warrants. In this case, a U.S. Holder's tax basis in the Common Shares received would equal the sum of the U.S. Holder's initial investment in the Warrants exercised and the exercise price of such Warrants. It is unclear whether a U.S. Holder's holding period for the Common Shares received would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant.

Because of the absence of authority on the U.S. federal income tax treatment of a cashless exercise, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise of Warrants.

Possible Constructive Distributions

The terms of each Warrant provide for an adjustment to the number of Common Shares for which the Warrant may be exercised or to the exercise price of the Warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. The U.S. Holders of the Warrants would, however, be treated as receiving a constructive distribution from the Company if, for example, the adjustment increases such U.S. Holders' proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of Common Shares that would be obtained upon exercise or through a decrease to the exercise price) as a result of a distribution of cash or other property to the holders of our Common Shares which is taxable to the U.S. Holders of such Common Shares as described under "Taxation of Dividends" below. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holders of the Warrants received a cash distribution from the Company equal to the fair market value of such increased interest.

Taxation of Dividends

Subject to the discussion below under "Passive Foreign Investment Company Status," the gross amount of any distribution of cash or property with respect to Common Shares (including any amount withheld in respect of Canadian taxes) that is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in a U.S. Holder's taxable income as ordinary dividend income on the day on which the U.S. Holder receives the dividend and will not be eligible for the dividends-received deduction allowed to corporations under the Code.

The Company does not expect to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

For a U.S. Holder, dividends paid in a currency other than U.S. dollars generally will be includible in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the U.S. Holder receives the dividends. Any gain or loss on a subsequent sale, conversion or other disposition of such non-U.S. currency by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Subject to certain exceptions for short-term positions, the U.S. dollar amount of dividends received by an individual with respect to the Common Shares will be subject to taxation at a preferential rate if the

dividends are “qualified dividend income.” Dividends paid on the Common Shares will be treated as qualified dividend income if:

- the Common Shares are readily tradable on an established securities market in the United States or the Company is eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program; and
- the Company was not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (a “PFIC”).

The Common Shares are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. In addition, the U.S. Treasury has determined that the Treaty meets the requirements for reduced rates of taxation, and the Company believes it is eligible for the benefits of the Treaty. Based on the Company’s financial statements and the Company’s expectations about the nature and amount of its income, assets and activities and the market value of its equity, the Company does not believe that it was a PFIC in 2022 or 2021. In addition, subject to the discussion below under “— Passive Foreign Investment Company Status”, based on the Company’s financial statements and the Company’s expectations about the nature and amount of its income, assets and activities and the market value of its equity, the Company does not expect to become a PFIC in its current taxable year or the reasonably foreseeable future. U.S. Holders should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Subject to generally applicable limitations and conditions, Canadian dividend withholding tax paid at the appropriate rate applicable to the U.S. Holder may be eligible for a credit against such U.S. Holder’s U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the IRS and any Canadian tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that is eligible for, and properly elects, the benefits of the Treaty, the Canadian tax on dividends will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. Holders, the application of these requirements to the Canadian tax on dividends is uncertain and we have not determined whether these requirements have been met. If the Canadian dividend tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the Canadian tax in computing such U.S. Holder’s taxable income for U.S. federal income tax purposes. Dividend distributions will constitute income from sources without the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute “passive category income” for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder’s particular circumstances and involve the application of complex rules to those circumstances. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular situations.

Taxation of Dispositions of Warrants and Common Shares

Upon a sale, exchange or other taxable disposition of the Warrants or Common Shares, U.S. Holders will realize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder’s adjusted tax basis in the Warrants or Common Shares, as applicable, each as determined in U.S. dollars. Subject to the discussion below under “– Passive Foreign Investment Company Status,” such gain or loss will be capital gain or loss, and will generally be long-term capital gain or loss if the Warrants or Common Shares have been held for more than one year. Long-term capital gain realized by a U.S. Holder that is an individual generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. Holder on the sale or other disposition of the Warrants or Common Shares generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Under the new foreign tax credit requirements recently adopted by the IRS, any Canadian tax imposed on the sale or other disposition of the Warrants or Common Shares generally will not be treated as a creditable tax for U.S. foreign tax credit purposes. If the Canadian tax is not a creditable tax, the tax would reduce the amount realized on the sale or other disposition of the Warrants or Common Shares even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the Warrants and Common Shares and any Canadian tax imposed on such sale or disposition.

Passive Foreign Investment Company Status

Special U.S. tax rules apply to non-U.S. companies that are considered to be PFICs. The Company will be classified as a PFIC in a particular taxable year if either

- 75 percent or more of its gross income for the taxable year is passive income; or
- the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50 percent.

Based on the Company's financial statements and the Company's expectations about the nature and amount of its income, assets and activities and the market value of its equity, the Company does not believe that it was a PFIC in 2022 or 2021, and it does not expect to become a PFIC in its current taxable year or the reasonably foreseeable future. However, the final determination of whether we may be classified as a PFIC for the current taxable year will not be able to be made until after the end of the year and will depend on all of the relevant facts and circumstances available at that time. No assurance can be given that we will not be a PFIC for the current or any future taxable year.

Although our PFIC status is determined annually, an initial determination that we are a PFIC will generally apply for subsequent years to a U.S. Holder who held Common Shares or Warrants while the Company was a PFIC, whether or not the Company meets the test for PFIC status in those subsequent years. In the event that, contrary to the Company's expectations, it is classified as a PFIC in any taxable year that is included in the holding period of a U.S. Holder of Common Shares or Warrants, and, in the case of Common Shares, the U.S. Holder did not make a timely mark-to-market election (as described below) such U.S. Holder generally would be subject to adverse tax consequences with respect to (i) any gain realized from the sale or other taxable disposition of Common Shares or Warrants; and (ii) any "excess distribution" made to the U.S Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of Common Shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the Common Shares).

Under these rules:

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the Common Shares or Warrants;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder with respect to the tax attributable to each such other taxable year of the U.S. Holder.

In general, if the Company is a PFIC and the Common Shares constitute “marketable stock” (which the Company expects to be the case for so long as Common Shares are listed on the NYSE), and such U.S. Holder, at the close of the first taxable year in which it holds (or is deemed to hold) Common Shares, makes a valid mark- to-market election with respect to such shares for such taxable year, such U.S. Holder generally will not be subject to the PFIC rules described above. Instead, in general, the U.S. Holder will include for each of its taxable years as ordinary income the excess, if any, of the fair market value of its Common Shares at the end of such year over its adjusted basis in its Common Shares. These amounts of ordinary income would not be eligible for the reduced tax rates applicable to qualified dividend income or long-term capital gains. The U.S. Holder also will recognize an ordinary loss in respect of the excess, if any, of its adjusted basis of its Common Shares over the fair market value of its Common Shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). A U.S. Holder’s basis in its Common Shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of its Common Shares will be treated as ordinary income. Currently, a mark-to market election may not be made with respect to Warrants. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a mark-to-market election with respect to their Common Shares under their particular circumstances.

A U.S. Holder that owns an equity interest in a PFIC must annually file IRS Form 8621. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the U.S. Holder’s taxable years for which such form is required to be filed. As a result, the taxable years with respect to which the U.S. Holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

The rules dealing with PFICs and the mark-to-market election are very complex and are affected by various factors in addition to those described above. Accordingly, investors should consult their own tax advisors concerning the application of the PFIC rules to Common Shares and Warrants under their particular circumstances.

Foreign Financial Asset Reporting.

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of $50,000 on the last day of the taxable year, or $75,000 at any time during the taxable year, are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of $5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed.

U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the Common Shares or Warrants to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder’s U.S. federal income tax liability, provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

A holder that is not a U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

19. Additional Information

The Company is required under applicable Canadian and U.S. securities laws to file various documents, including financial statements. Financial information is provided in the audited annual consolidated financial statements of the Company for fiscal 2022, together with the notes thereto, the Report of Independent Registered Public Accounting Firm thereon and the related management's discussion and analysis. Copies of these documents and additional information concerning the Company can be found under the Company's profiles on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on Lion's website at www.thelionelectric.com under the "Investors" section. Information on the Company's website does not form part of and is not incorporated by reference in this Annual Information Form.

Copies of the Company's audited annual consolidated financial statements and management's discussion and analysis can also be obtained upon request made to the Vice President, Investor Relations and Sustainable Development of the Company, Ms. Isabelle Adjahi, at the head office: 921, chemin de la Rivière du Nord, Saint-Jerome (Quebec), Canada, J7Y 5G2.

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's information circular for its annual meeting of shareholders.

APPENDIX A
CHARTER OF THE AUDIT COMMITTEE

The purpose of this charter (the "**Charter**") is to describe the primary duties and responsibilities of the Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of The Lion Electric Company (the "**Company**"), as well as some of the policies and procedures that apply to the Committee in discharging its duties and responsibilities.

Certain aspects of the composition and organization of the Committee are prescribed and/or governed by the *Business Corporations Act* (Quebec), the constating documents of the Company, applicable securities laws and regulations (including stock exchange rules) and applicable agreements, including the nomination rights agreement dated May 6, 2021 (the "**Nomination Rights Agreement**").

PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities as they relate to:

- the integrity of the Company's financial reporting and related financial disclosure;
- the implementation of risk management and internal control over financial reporting and disclosure controls and procedures;
- the Company's compliance with certain legal and regulatory requirements, including, among other things, reviewing reports or other disclosure required by the applicable rules and regulations of the Securities and Exchange Commission (the "**SEC**") or Canadian securities laws to be included in the Company's periodic reports and filings within the scope of the authority outlined herein;
- the qualifications and independence of the registered public accounting firm or firms engaged as the Company's independent outside auditors for the purposes of preparing or issuing an audit report or performing audit, review or attest services (the "**Auditors**"); and
- the performance of the Auditors and any internal audit function;

While the Committee has the duties and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not employees of the Company, and they do not perform, or represent that they perform, the functions of management or the Auditors. The Committee is not responsible for planning or conducting the audit or determining whether the Company's financial statements are complete and accurate and in accordance with applicable accounting rules, nor for the preparation of periodic reports and establishing and maintaining of appropriate accounting principles and financial reporting policies and satisfactory internal controls over financial reporting. Such activities are the responsibility of the Company's Auditors and management. The Committee has direct responsibility for the appointment, compensation, oversight and replacement, if necessary, of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting, and any other registered public accounting firm with respect to which the Committee is required to have such responsibility.

The Committee and each of its members shall be entitled to rely on:

- the integrity of those persons and organizations within and outside of the Company from which it receives information;
- the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and
- representations made by management as to any audit and non-audit services provided by the Auditors.

COMPOSITION AND QUALIFICATIONS

The members of the Committee, including the member to be acting as Chair, shall be appointed by the Board in accordance with any agreement among shareholders of the Company and the Company, including the Nomination Rights Agreement, and applicable securities laws and regulations (including stock exchange rules). The Committee shall be comprised of such number of directors, in no event less than three, as the Board may from time to time by resolution determine. Committee members may be removed by the Board in its discretion.

The Chair and each member of the Committee shall serve until his or her successor is duly appointed by the Board, or until his or her earlier death, resignation or removal by the Board. Resignation or removal of a Committee member from the Board for any reason shall automatically constitute resignation or removal, as applicable, from the Committee. Vacancies occurring on the Committee shall be filled by the Board.

Unless otherwise permitted by any applicable phase-in rules and exemptions, each member of the Committee shall meet (i) the "independence" and financial literacy requirements of Section 10A-3 of the Securities Exchange Act of 1934, as amended, National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**"), any stock exchange on which the Company's securities are listed, and all other applicable laws and regulations, as applicable to the Committee members and in effect from time to time, when and as required by the SEC, NI 52-110 or the rules of any stock exchange on which the Company's securities are listed, and (ii) any other qualifications as determined by the Board from time to time. The Committee may avail itself of any phase-in rules or other exemptions available to the Company that are afforded by applicable securities laws and regulations or the rules of any stock exchange on which the Company's securities are listed.

MEETINGS

A. Frequency

The Chair, in consultation with the other members of the Committee, shall determine the schedule and frequency of meetings of the Committee. Meetings of the Committee shall be held at such times and places as the Chair may determine. To the extent possible, advance notice of each meeting will be given to each member unless all members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings of the Committee either in person or by telephone, video or other electronic means.

The Committee shall hold regularly scheduled meetings at least quarterly and such special meetings as circumstances dictate. The Chair of the Committee, any member of the Committee, the Auditors, the Chairman of the Board, the Chief Executive Officer ("**CEO**") or the Chief Financial Officer ("**CFO**") may call a special meeting of the Committee at any time by notifying the Company's corporate secretary, who will notify the members of the Committee.

B. Agenda and Notice

The Chair of the Committee shall establish the meeting dates of the Committee. To the extent possible, in advance of every regular meeting of the Committee, the Chair shall prepare and distribute, or cause to be prepared and distributed, to the members of the Committee and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require senior executives and other employees of the Company to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

C. Holding and Recording Meetings

Committee meetings may be held in person, by videoconference or other electronic means or telephonically. Action may be taken by the Committee upon the affirmative vote of a majority of the members. The Committee shall keep written minutes of its meetings and submit such minutes to the Board promptly after each meeting. The Committee may also act by written resolutions and, when it does so, those actions will be filed in the minutes of the Committee.

D. Quorum

A majority of the members of the Committee shall constitute a quorum. Any actions taken by the Committee during any period in which one or more members fail for any reason to meet the membership requirements set forth under "Composition and Qualifications" above shall be nonetheless duly authorized actions of the Committee for all corporate purposes.

E. Sub-Committees

Subject to applicable law, the Committee shall have the authority to delegate to any of its members, any sub-committees of the Committee or any other person any of the responsibilities of the full Committee.

F. Executive Sessions

Unless otherwise directed by the Committee, each regularly scheduled meeting will include an executive session of the Committee absent any members of management.

The Committee will also meet periodically in separate executive sessions with each of the CFO or any other executive officer, the principal accounting officer and/or any senior internal auditing executive (or any other personnel responsible for any internal audit function), and the Auditors.

COMPENSATION

The compensation of Committee members shall be determined by the Board.

RESPONSIBILITIES AND POWERS OF THE COMMITTEE

A. System of Financial Controls

The Committee shall:

- review the adequacy and effectiveness of the Company's internal control and management information systems through discussions with senior executives of the Company and the Auditors relating to the maintenance of (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions, (ii) effective internal control over financial reporting; and (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud;

- as applicable from time to time, the Committee shall assess any requirements or changes with respect to the establishment or operations of an internal audit function having regard to the size and stage of development of the Company at any particular time;

- satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations;

- oversee the work of any internal audit function, including organization, operations and independence;
- review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities, as applicable;
- review and make recommendations to the Board regarding the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company;
- review material related party transactions other than those delegated to a special committee or independent committee of the Board against applicable legal and regulatory requirements, review applicable disclosures and report to the Board on any such transactions; and
- review and discuss with the Auditors the Auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit in connection therewith.

B. Annual Audit Review

The Committee shall review and discuss with management and the Auditors the annual audited financial statements, including the Auditors' audit and audit report thereon, and the annual management's discussion and analysis of financial condition and results of operations of the Company proposed to be included in the Company's annual filings to be filed with applicable securities regulators. In connection with such review, the Committee shall:

- review the scope of the audit, the audit plan and the audit procedures utilized;
- review with the Auditors any audit problems or difficulties encountered during their audit, including any change in the scope of the planned audit, any restrictions placed on the scope of the audit or access to requested information, and any significant disagreements with management, and management's response to such problems or difficulties;
- resolve any differences in financial reporting between management and the Auditors;
- review and discuss with management and the Auditors reports required to be submitted by the Auditors concerning:
    - all critical accounting policies and practices used in the preparation of the Company's financial statements;
    - all alternative treatments of financial information within IFRS that have been discussed with management, ramifications of such alternatives, and the accounting treatment preferred by the Auditors; and
    - any other material written communications between the Auditors and management, such as any management letter or schedule of unadjusted differences;
- review and discuss the integrity of the annual audited Company financial statements and quarterly financial statements with management and the Auditors, including the notes thereto and all matters required by applicable auditing standards, and the written disclosures required by applicable auditing standards regarding the Auditors' independence;

- review and discuss with management and the Auditors:

  - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; and

  - analyses prepared by management and/or the Auditors setting forth any significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative IFRS methods on the financial statements and the effects of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and

- discuss policies and procedures concerning earnings press releases and review the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma" and "adjusted" or other non-IFRS information), as well as financial information and earnings guidance provided to analysts and rating agencies.

C. Quarterly Reviews

The Committee shall review and discuss with management, any internal audit function and the Auditors, as appropriate, the quarterly financial statements, together with the Auditors review thereof pursuant to professional standards and procedures for conducting such reviews, as established by IFRS and applicable securities laws, and the quarterly management's discussion and analysis of financial condition and results of operations of the Company. In connection with the quarterly reviews, the Committee shall review with management and the Auditors any significant risks or exposures faced by the Company and discuss with management the steps taken to minimize such risk or exposure.

D. Other Financial Information

The Committee shall review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms and Form 20-F, annual reports to shareholders, management proxy circulars, material change disclosure or Form 6-K of a financial nature and similar disclosure and other documents prior to the filing or public disclosure of such documents or information.

E. Oversight of Independent Auditors

The Company's Auditors shall report directly to the Committee on a regular basis. In connection with its oversight of the performance and independence of the Auditors, the Committee shall:

- be responsible for the appointment, retention, compensation, oversight of the work of the Auditors and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Company or any consolidated subsidiary of the Company, where required, and review, report and, where appropriate, provide recommendations to the Board on the appointment, terms and review of engagement, removal, independence and proposed fees of the Auditors;

- have the authority to approve the engagement of the Auditors to perform all audit, audit-related, and other permissible non-audit services proposed to be performed by the Auditors, prior to the commencement of such engagement, including the scope of and plans for the audit and the related fees for such services, and the negotiation and execution, on behalf of the Company, of the Auditors' engagement letters; such approval to be made in accordance with preapproval policies and procedures established by the Committee consistent with applicable laws and rules,

including the delegation of preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting;

- prior to the engagement of any prospective Auditors, obtain confirmation and assurance as to the prospective Auditors' independence, including ensuring that they submit on a periodic basis (not less than annually) to the Committee a formal written statement delineating all relationships between the Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be expected to bear on independence;

- at least annually, obtain and review a report by the Auditors describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

- review and evaluate the performance of the Auditors, as the basis for a decision to reappoint or replace the Auditors, and every five (5) years conduct a comprehensive review of the performance of the Auditors over multiple years to provide further insight on the Auditors, their independent exercise of professional skepticism and application of protection standards;

- set clear hiring policies for employees or former employees of the Auditors, including as required by all applicable laws and listing rules; and

- assure the rotation of the lead audit partner as required by applicable law and rules, and consider periodically and, if deemed appropriate, adopt a policy regarding the rotation of auditing firms.

F. Risk Assessment and Management

The Committee shall discuss with management and the Auditors' the Company's major business, operational, and financial risk exposures and the guidelines, policies and practices regarding risk assessment and risk management, including derivative policies, insurance programs and steps management has taken to monitor and control major business, operational and financial risks.

G. Legal and Ethical Matters

The Committee shall

- establish, maintain and oversee the Company's Code of Business Conduct and Ethics (the **"Code**"), including dealing with issues that may arise under the Code related to executive officers and directors of the Company, be responsible for reviewing and evaluating the Code periodically and recommending any necessary or appropriate changes thereto to the Board for consideration;

- assist the Board with the monitoring of compliance with applicable laws and rules, as well as compliance with Code and consider any waivers of the Code (other than waivers applicable to the directors or executive officers, which shall be subject to review by the Board as a whole);

- establish procedures for (a) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, (b) the confidential, anonymous submission by directors, officers, employees, consultants and contractors of the Company of concerns regarding questionable accounting or auditing matters, and (c) the investigation of such matters with appropriate follow-up actions;

- on at least an annual basis, review with the Company's legal counsel and management, all legal and regulatory matters and litigation, claims or contingencies, including tax assessments, license

or concession defaults or notifications, health and safety violations or environmental issues, that could have a material effect upon the financial position of the Company, and the manner in which these matters may be, or have been, disclosed in the financial statements;

- consider and review with management and the Auditors, outside counsel, as appropriate, and any special counsel, separate accounting firm or other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies; and

- monitor developments in accounting rules and practices and other legal and regulatory requirements that affect matters within the scope of the Committee's authority and responsibilities.

H. Other Responsibilities

The Committee shall perform such other duties as may be required by law or requested by the Board or deemed appropriate by the Committee in order to discharge any of the foregoing. The Committee shall discharge its responsibilities, and shall assess the information provided to the Committee, in accordance with its business judgment. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.

Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law. This Charter is not intended to change or interpret the constating documents of the Company or applicable law or stock exchange rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws and rules

The Board may, from time to time, permit departures from the terms of this Charter, either prospectively or retrospectively. This Charter is not intended to give rise to civil liability on the part of the Company or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

COMMITTEE ADMINISTRATIVE MATTERS

A. Independent Advisors

The Committee shall have authority to engage, provide appropriate funding for and cause the Company to pay the compensation to obtain advice and assistance from outside legal, accounting or other advisors to carry out its responsibilities.

B. Funding

The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the Auditors or any other registered public accounting firm engaged for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company; to any other advisors engaged by the Committee; and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

C. Access to Records and Personnel

The Committee shall have full access to any relevant records of the Company that it deems necessary to carry out its responsibilities. The Committee may request that any officer or other employee of the Company or any advisor to the Company meet with members of the Committee or its advisors, as it deems necessary to carry out its responsibilities.

D. Reports to Board of Directors

The Committee shall report regularly to the Board with respect to the Committee's activities any material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements and its conclusions with respect to the Auditors, the performance of any internal audit function or such other matters as the Committee deems appropriate, with such recommendations to the Board as the Committee deems appropriate.

E. Education and Orientation

Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Company.

New Committee members shall be provided with an orientation program to educate them on the Company's business, their responsibilities and the Company's financial reporting and accounting practices.

F. Review of This Charter

The Committee shall review and reassess annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

G. Evaluation of Committee

The Committee is responsible for developing and conducting an annual self-assessment of its performance. The Committee shall report to the full Board on the results of its assessment each year and shall make any appropriate recommendations to further enhance the Committee's performance.

THE LION ELECTRIC COMPANY

Management's Discussion and Analysis
of Financial Condition and Results of Operations
For the Three and Twelve Months ended December 31, 2022

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1.0 Preface

The following management's discussion and analysis ("MD&A") provides information concerning the financial condition and results of operations of The Lion Electric Company (the "Company" or "Lion") for the years ended December 31, 2022 and 2021 and the three months ended December 31, 2022. This MD&A should be read in conjunction with the audited annual consolidated financial statements of the Company and the related notes for the years ended December 31, 2022 and 2021. The audited annual consolidated financial statements and this MD&A were reviewed by Lion's Audit Committee, and were approved and authorized for issuance by Lion's Board of Directors on March 9, 2023.

2.0 Basis of Presentation

The Company's fiscal year is the twelve-month period ending December 31 of each year. This MD&A is based on the Company's audited annual consolidated financial statements and accompanying notes thereto for the years ended December 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

All amounts presented are in United States dollars unless otherwise indicated.

Lion has one reportable operating segment, the manufacturing and sales of electric vehicles in Canada and in the United States.

All shares, stock options, warrants and per share information presented in the annual audited consolidated financial statements and this MD&A have been adjusted, including on a retroactive basis where necessary for prior periods, to reflect the share split of 1:4.1289 completed in connection with the Company's business combination and plan of reorganization (the "Business Combination") with Northern Genesis Acquisition Corp. ("NGA") on May 6, 2021.

Certain figures, such as interest rates and other percentages included in this MD&A, have been rounded for ease of presentation. Percentage figures included in this MD&A have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this MD&A may vary slightly from those obtained by performing the same calculations using the figures in Lion's consolidated financial statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

All references to "fiscal 2022" are to the Company's fiscal year ended December 31, 2022, to "fiscal 2021" are to the Company's fiscal year ended December 31, 2021 and to "fiscal 2020" are to the Company's fiscal year ended December 31, 2020.

3.0 Caution Regarding Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws and within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). Any statements contained in this MD&A that are not statements of historical fact, including statements about Lion's beliefs and expectations, are forward-looking statements and should be evaluated as such.

Forward-looking statements may be identified by the use of words such as "believe," "may," "will," "continue," "anticipate," "intend," "expect," "should," "would," "could," "plan," "project," "potential," "seem," "seek," "future," "target" or other similar expressions and any other statements that predict or indicate future events or trends or that are not statements of historical matters, although not all forward-looking statements may contain such identifying words. These forward-looking statements include statements regarding the Company's order book and the Company's ability to convert it into actual sales, the expected production capacity of the Company's manufacturing facilities, the capital expenditures expected to be incurred in connection with the Company's U.S. manufacturing facility project and the Company's battery plant and innovation center project in Quebec, the sourcing of lithium-ion battery cells, the Company's U.S. manufacturing facility project and the Company's battery plant and innovation center

project in Quebec, the Company's future growth and long-term strategy, an ongoing arbitration proceeding with one of the Company's suppliers, the Company's expected product pipeline and the launch and commercial production of certain platforms and models. Such forward-looking statements are based on a number of estimates and assumptions that Lion believes are reasonable when made, including that Lion will be able to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners, that Lion will continue to operate its business in the normal course, that Lion will be able to implement its growth strategy, that Lion will be able to successfully and timely complete the construction of, and successfully and timely establish its operations and ramp-up manufacturing capacity at, its U.S. manufacturing facility and its Quebec battery plant and innovation center, that Lion will not suffer any supply chain challenges or any material disruption in the supply of raw materials on competitive terms, that Lion will be able to maintain its competitive position, that Lion will continue to improve its operational, financial and other internal controls and systems to manage its growth and size, that Lion will be able to benefit, either directly or indirectly (including through applications made by the Company and/or its clients), from governmental subsidies and incentives, and that Lion will be able to secure additional funding through equity or debt financing on terms acceptable to Lion and in the amounts needed when required in the future. Such estimates and assumptions are made by Lion in light of the experience of management and their perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Lion believes that these risks and uncertainties include the following:

- any adverse changes in U.S. or Canadian general economic, business, market, financial, political or legal conditions, including as a consequence of the ongoing uncertainties relating to inflation and interest rates;
- any inability to ramp-up the production of Lion's products and meet project construction and other project milestones and timelines;
- any inability to meet its customers' business needs;
- any inability to successfully and economically manufacture and distribute its vehicles at scale;
- any unavailability, reduction, discriminatory application, delay in processing or elimination of governmental programs, subsidies or economic incentives due to policy changes, government regulation or otherwise;
- any inability to execute the Company's growth strategy;
- any adverse effects of the current military conflict between Russia and Ukraine, which continues to affect economic and global financial markets and exacerbate ongoing economic challenges;
- any unfavorable fluctuations and volatility in the availability or price of raw materials included in components used to manufacture the Company's products, including battery cells, modules and packs;
- the reliance on key suppliers and any inability to maintain an uninterrupted supply of raw materials;
- the outcome of any legal proceedings that may be instituted by or against the Company from time to time, including the ongoing matter relating to supply of battery packs from Romeo (as defined below);
- any inability to reduce total cost of ownership of electric vehicles sold by the Company over time;
- the reliance on key management and any inability to attract and/or retain key personnel;
- labor shortages (including as a result of employee departures, turnover, and demands for higher wages) which may force the Company to operate at reduced capacity, to lower its production and delivery rates or lower its growth plans, and could pose additional challenges related to employee compensation;
- any inability to meet the expectations of the Company's customers in terms of products, specifications, and services;
- any inability to maintain the Company's competitive position;
- any inability to reduce the Company's costs of supply over time;
- any inability to maintain and enhance the Company's reputation and brand;

- any significant product repair and/or replacement due to product warranty claims or product recalls;
- any failure of information technology systems or any cybersecurity and data privacy breaches or incidents;
- any event or circumstance resulting in the Company's inability to convert its order book into actual sales, including the unavailability, reduction, discriminatory application, delay in processing or elimination or discriminatory application of government programs, subsidies and economic incentives;
- any inability to raise additional funds to meet its capital requirements and pursue its growth strategy when and in the amounts needed;
- any inability to secure adequate insurance coverage or a potential increase in insurance costs; and
- natural disasters, epidemic or pandemic outbreaks, boycotts and geo-political events such as civil unrest and acts of terrorism, the current military conflict between Russia and Ukraine or similar disruptions

These and other risks and uncertainties related to the businesses of Lion are described in greater detail in section 23.0 of this MD&A entitled “Risk Factors.” Many of these risks are beyond Lion’s management’s ability to control or predict. All forward-looking statements attributable to Lion or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained and risk factors identified in this MD&A and in other documents filed with the applicable Canadian regulatory securities authorities and the Securities and Exchange Commission (the "SEC").

Because of these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. This MD&A reflects information available to the Company as of March 9, 2023, the date of this MD&A. Except as required under applicable securities laws, Lion undertakes no obligation, and expressly disclaims any duty, to update, revise or review any forward-looking information, whether as a result of new information, future events or otherwise.

4.0 Non-IFRS Measures and Other Performance Metrics

This MD&A makes reference to Adjusted EBITDA, which is a non-IFRS financial measure, as well as other performance metrics, including the Company’s order book, which are defined below. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS. Lion compensates for these limitations by relying primarily on Lion's IFRS results and using Adjusted EBITDA and order book on a supplemental basis. Readers should not rely on any single financial measure to evaluate Lion's business.

Adjusted EBITDA

“Adjusted EBITDA” is defined as net earnings (loss) before finance costs, income tax expense or benefit, and depreciation and amortization, adjusted for share-based compensation, changes in fair value of share warrant obligations, foreign exchange (gain) loss and transaction and other non-recurring expenses. Adjusted EBITDA is intended as a supplemental measure of performance that is neither required by, nor presented in accordance with, IFRS. Lion believes that the use of Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing Lion’s financial measures with those of comparable companies, which may present similar non-IFRS financial measures to investors. However, readers should be aware that when evaluating Adjusted EBITDA, Lion may incur future expenses similar to those excluded when calculating Adjusted EBITDA. In addition, Lion’s presentation of these measures should not be construed as an inference that

Lion’s future results will be unaffected by unusual or non-recurring items. Lion’s computation of Adjusted EBITDA may not be comparable to other similarly entitled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion. Readers should review the reconciliation of net earnings (loss), the most directly comparable IFRS financial measure, to Adjusted EBITDA presented by the Company under section 13.0 of this MD&A entitled "Results of Operations - Reconciliation of Adjusted EBITDA."

Order Book

This MD&A also makes reference to the Company’s "order book" with respect to vehicles (trucks and buses) as well as charging stations. The Company’s vehicle and charging stations order book is determined by management based on purchase orders that have been signed, orders that have been formally confirmed by clients, or products in respect of which formal joint applications for governmental subsidies or economic incentives have been made by the applicable clients and the Company. The order book is expressed as a number of units or a total dollar value, which dollar value is determined based on the pricing of each unit included in the order book as further explained under “Pricing” in section 10.0 of this MD&A entitled “Order Book”. The vehicles included in the vehicle order book as of March 9, 2023 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025. Substantially all deliveries are subject to the granting of subsidies and incentives with processing times that are subject to important variations, and there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part.

The Company’s presentation of the order book should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales. See section 10.0 of this MD&A entitled "Order Book" for a full description of the methodology used by the Company in connection with the order book and certain important risks and uncertainties relating to such methodology and the presentation of the order book.

5.0 Company Overview

General

Lion's business focuses on the design, development, manufacturing and distribution of all-electric medium- and heavy-duty urban vehicles (“EV”). Each Lion vehicle is purpose-built for electric and entirely designed and assembled in-house, with its own chassis, truck cabin or bus body, proprietary battery technology with modular energy capacity and Lion software integration. Lion’s vehicles are assembled without relying on traditional combustion-engine vehicle retrofitting or third-party integrators. For certain specialized truck applications, Lion has also established partnerships and other relationships with third party suppliers to enable it to offer to its clients a variety of vehicle configurations, upfit equipment options and applications which range from classic boxes for box trucks to other specialized applications such as all-electric ambulances, bucket trucks, utility trucks and refuse collection trucks.

Lion has more than 12 years of focused all-electric vehicle research and development (“R&D”), manufacturing and commercialization experience. Lion’s vehicles and technology benefit from over 10 million miles driven by more than 950 of its purpose-built all-electric vehicles that are on the road today, in real-life operating conditions.

Lion’s medium and heavy-duty EVs are specifically designed to address the needs of the sub-250 mile (or 400-km) mid-range urban market, which is generally viewed as well suited for electrification given vehicles are typically driven over a relatively modest distance and return to base at the end of every workday.

Lion's current line-up of purpose-built all-electric trucks can be divided into four main platforms based on gross vehicle weight rating (GVWR), namely the Lion5, Lion6, the Lion8 and the Lion8 Tractor trucks, and its current line-up of all-electric buses consists of Type A, Type C and Type D buses, all of which are offered in several range and configurations options with a view to meet customers' needs and route planning. Lion complements its product offering with various services, including sales support, full-service training, charging infrastructure assistance and maintenance support, all of which are available on-site at Lion's Experience Centers, as well as financing and identification and seeking of any applicable governmental grants.

The Company currently has approximately 1,400 employees across all functions, including manufacturing, R&D, sales & marketing, service, and corporate and administrative.

Lion has one vehicle manufacturing facility in Canada located in Saint-Jerome, Quebec, which is approximately 25 miles (or 40 km) north of Montreal, Quebec. Lion is also in the process of establishing manufacturing operations at its U.S. manufacturing facility located in Joliet, Illinois (the "Joliet Facility"), which is the Company's biggest footprint in the United States and will support the Company in addressing the increasing demand in the marketplace for "Made in America" zero-emission vehicles, and at its battery manufacturing plant and innovation center (the "Lion Campus") located at the YMX International Aerocity of Mirabel, Quebec. Except for the innovation center building forming part of the Lion Campus, all of such properties are leased by Lion and Lion does not own any real property.

See section 8.0 entitled "Operational Highlights" for more information related to Joliet Facility and the Lion Campus.

6.0 Research and Development

Lion's team of approximately 300 engineers and other R&D professionals conducts development activities from its two R&D centers in Saint-Jerome, Quebec, and Montreal, Quebec.

Lion's R&D is currently focused on enhancing existing vehicles and features and continuing the development of proprietary battery systems and specialized applications that can be integrated into Lion's vehicles. Lion's main R&D costs consist of expenditures towards assembly of prototype vehicles, the design, establishment, purchase, and implementation of equipment, as well as costs relating to its R&D professionals performing development activities.

7.0 Financial Highlights

For the three months ended December 31, 2022 (Q4 2022), the Company's financial performance was the following when compared to the three months ended December 31, 2021 (Q4 2021):

- Delivery of 174 vehicles, an increase of 103 vehicles, as compared to the 71 delivered in the same period last year.
- Revenue of $46.8 million, up $23.9 million, as compared to $22.9 million in Q4 2021.
- Gross loss of $4.8 million as compared to gross profit of $2.2 million in Q4 2021.
- Net loss of $4.6 million in Q4 2022, as compared to net earnings of $28.3 million in Q4 2021. Net loss for Q4 2022 includes a $15.4 million gain related to non-cash decrease in the fair value of share warrant obligations and a $2.5 million charge related to non-cash share-based compensation, whereas net earnings for Q4 2021 included a $46.6 million gain related to non-cash decrease in the fair value of share warrant obligations and a $5.0 million charge related to non-cash share-based compensation.
- Adjusted EBITDA[1] of negative $13.9 million, as compared to negative $7.5 million in Q4 2021, after mainly adjusting for certain non-cash items such as change in fair value of share warrant obligations and share-based compensation.

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[1] Adjusted EBITDA is a non-IFRS financial measure. See section 4.0 of this MD&A entitled "Non-IFRS Measures and Other Performance Metrics," and section 13.0 of this MD&A entitled "Results of Operations - Reconciliation of Adjusted EBITDA" for a reconciliation of net earnings (loss), the most directly comparable IFRS financial measure, to Adjusted EBITDA.

- Capital expenditures, which included expenditures related to the Joliet Facility and the Lion Campus, amounted to $39.1 million, up $19.9 million, as compared to $19.2 million in Q4 2021. See section 8.0 of this MD&A entitled "Operational Highlights" for more information related to the Joliet Facility and the Lion Campus.
- Additions to intangible assets, which mainly consist of R&D activities, amounted to $21.3 million, up $11.6 million, as compared to $9.7 million in Q4 2021.
- Total gross proceeds from financing activities of approximately $116 million, consisting of offering of units (approximate gross proceeds of $50 million), issuance of common shares under the ATM program (approximate gross proceeds of $10 million) and borrowings under long-term debt instruments (approximately $56 million in the aggregate under the Revolving Credit Agreement, the IQ Loan (as defined below), the SIF Loan (as defined below) and the new Finalta-CDPQ Loan Agreement (as defined below)), as compared to approximately $64 million in the aggregate in Q4 2021.

For the year ended December 31, 2022 (fiscal 2022), the Company's financial performance was the following when compared to the year ended December 31, 2021 (fiscal 2021):

- Delivery of 519 vehicles, an increase of 323 vehicles, as compared to the 196 delivered in fiscal 2021.
- Revenue of $139.9 million, up $82.2 million, as compared to $57.7 million in fiscal 2021.
- Gross loss of $12.9 million, as compared to gross profit of nil in fiscal 2021.
- Net earnings of $17.8 million, as compared to a net loss of $43.3 million in fiscal 2021. Net earnings for fiscal 2022 includes higher gains related to non-cash decrease in the fair value of share warrant obligations and lower non-cash share-based compensation, as compared to fiscal 2021.
- Adjusted EBITDA[2] of negative $54.8 million, as compared to negative $27.6 million in fiscal 2021, after mainly adjusting for certain non-cash items such as change in fair value of share warrant obligations and share-based compensation.
- Capital expenditures, which included expenditures related to the Joliet Facility and the Lion Campus, amounted to $148 million, up $119.4 million, as compared to $28.6 million in fiscal 2021. See section 8.0 of this MD&A entitled "Operational Highlights" for more information related to the Joliet Facility and the Lion Campus.
- Additions to intangible assets, which mainly consist of R&D activities, amounted to $79.1 million, up $42.7 million, as compared to $36.4 million in fiscal 2021.

Offering of Units

On December 16, 2022, the Company closed a public offering (the “December 2022 Offering”) of units in the United States and Canada, pursuant to which the Company issued 19,685,040 units (the “Units”) at a price of $2.54 per Unit for gross proceeds of approximately $50 million, before underwriting commissions and offering costs. Each Unit consisted of one Common Share and one common share purchase warrant (a “2022 Warrant”). Each whole 2022 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 per share for a period of five years until December 16, 2027, subject to adjustment in certain customary events. On January 17, 2023, the Company announced full exercise and closing of the underwriters’ over-allotment option, which resulted in the Company issuing and selling to the underwriters 2,952,755 additional Units at a price of $2.54 per Unit. See “Over-allotment Option on Offering” in section 9.0 of this MD&A entitled “Recent Developments”.

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[2] Adjusted EBITDA is a non-IFRS financial measure. See section 4.0 of this MD&A entitled “Non-IFRS Measures and Other Performance Metrics,” and see section 13.0 of this MD&A entitled "Results of Operations - Reconciliation of Adjusted EBITDA" for a reconciliation of net earnings (loss), the most directly comparable IFRS financial measure, to Adjusted EBITDA.

Finalta-CDPQ Loan Agreement

On November 8, 2022, the Company entered into a loan agreement (the "Finalta-CDPQ Loan Agreement") with Finalta Capital Fund, L.P. (“Finalta”), as lender and administrative agent, and Caisse de dépôt et placement du Québec (through one of its subsidiaries), as lender, to finance certain refundable tax credits and grants under government programs. The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of C$30 million ($22.2 million), and bears interest at the rate of 10.95% per annum. An aggregate amount of $22.2 million (C$30 million) was advanced under the Finalta-CDPQ Loan Agreement on November 8, 2022 upon entering into of the agreement. A portion of the advances made under the Finalta-CDPQ Loan Agreement was used to repay in full the Company’s previous credit facilities entered into with Finalta on May 6, 2021. See “Finalta-CDPQ Loan Agreement” under section 16.0 entitled “Liquidity and Capital Resources” of this MD&A.

8.0 Operational Highlights

Joliet Facility

During the quarter, the Company continued the establishment of its manufacturing operations at the Joliet Facility, and manufactured a number of LionC units, mostly for purpose of working stations set-up and employee training and for initial customer deliveries. The Company is progressing on hires, in line with the plan to initially focus on school bus production. The building and tenant improvements, as well as the installation of school bus production stations for initial school bus production are substantially completed. In December 2022, the Company completed the delivery of a first LionC zero-emission school bus manufactured in Joliet.

As of December 31, 2022, capital expenditures incurred by the Company since the beginning of the project totaled approximately $85 million, including approximately $19 million incurred during the three months ended December 31, 2022, and a total of $72 million incurred during fiscal 2022 (including a $10 million deposit made by the Company for automated guided vehicle equipment (AGVs) which was since then reimbursed by a third party which will begin leasing the equipment to the Company in early 2023). Capital expenditures incurred to date mostly relate to tenant improvements and bus line production equipment. Capital expenditures in fiscal 2022 were higher than the previously disclosed estimate of $65 million due to certain equipment construction milestones being achieved ahead of schedule, and earlier timing of tooling and IT related costs.

As of December 31, 2022, approximately $7 million were committed for fiscal 2023 towards the purchase and installation of production and other equipment related to ramp-up of production at the project as well as tenant improvement work relating to office space. In addition, the Company's contractual lease obligations related to the facility represent approximately $72 million over a 15-year period ending in November 2036.

Management estimates that achieving full scale at the Joliet Facility, estimated at approximately 20,000 vehicles per year, will require additional capital expenditures of approximately $65 million, representing a total investment for the project of approximately $150 million. Achieving full scale at the Joliet Facility will require the Company to complete the installation of necessary production stations and equipment (including for the truck production line), improvements in production optimization and the increase of automatization at the facility, and additional hires of specialized and other employees.

In the short term, the Company expects to focus on building out the production line for Lion buses, with the goal of having the infrastructure in place to bring its production capacity to up to 2,500 buses on an annual basis by the end of fiscal 2023. The Company expects that this will require capital expenditures for fiscal 2023 of approximately $20 million, the majority of which is expected to relate to the purchase of manufacturing equipment. Other capital expenditures for fiscal 2023 are expected to relate to the purchase of IT equipment and leasehold improvements. While the Company projects that at full scale the production capacity of the Joliet facility will be principally focused on the production of trucks, the

Company does not expect to incur any material expenditures relating to the production of trucks at the Joliet facility in the short term. The Company expects to rely on the truck manufacturing capacity available at its Saint-Jerome manufacturing facility to address current customer demand.

That said, the cadence of the Company’s investments relating to the Joliet Facility and the timing of installation of truck production stations and equipment as well as additional equipment to increase production rates up to 2,500 buses per year and beyond has been and will continue to be reassessed by management on a continuous basis depending upon prevailing economic conditions, the demand environment for the Company's products as well the Company's liquidity profile. As such, management’s expectations described above with respect to the Joliet facility, the related ramp-up of production and the estimated maximum capacity are based on a number of assumptions and may be subject to change, and there is no assurance that the Company’s plan will materialize as expected. See section 3.0 of this MD&A entitled "Caution Regarding Forward-Looking Statements".

Lion Campus

During the quarter, the Company completed the transfer of a first portion of the battery production line from JR Automation’s facility in Troy, Michigan (where the Company previously produced and tested prototype battery packs) to the Company's battery manufacturing facility in Mirabel. In December 2022, the Company completed production of its first lithium-ion battery pack at its battery manufacturing facility in Mirabel. In early 2023, the Company transferred an additional portion of the battery production line from JR Automation’s facility in Troy, Michigan to the battery manufacturing facility in Mirabel and, as of March 9, 2023, was working to install such production line equipment. Final certification of the first battery pack is expected in the first half of 2023, followed by a gradual ramp up of production in 2023. The first batteries produced in Mirabel will eventually serve to power the LionC and LionD school buses and the Lion5 truck. After the start of battery production at the battery manufacturing facility, the Company will focus on progressively integrating its proprietary battery packs into its vehicles and gradually reducing reliance on third party batteries. In addition, the shell of the Innovation center building, which will mainly be dedicated to research and development and tests & certification of vehicles and batteries, is now substantially completed.

As of December 31, 2022, capital expenditures incurred by the Company since the beginning of the Lion Campus project (exclusive of capitalized interest) totaled approximately $78 million, including $21 million incurred during the three months ended December 31, 2022 and a total of $71 million incurred during fiscal 2022. Capital expenditures incurred to date mostly relate to building construction, battery development, and battery production equipment. Capital expenditures in 2022 were lower than the previously disclosed estimate of $85 million due to later timing of construction of the Innovation Center and battery plant equipment received in early 2023, as opposed to the end of 2022 as initially expected. In addition, as of December 31, 2022, the Company had commitments for fiscal 2023 relating to the construction and the purchase of critical equipment for the project representing approximately $28 million.

Management estimates that achieving full scale at the battery manufacturing facility, estimated at approximately 5 GWh on an annual basis, will require additional capital expenditures of approximately $50 million. In addition, the Company estimates that finalizing the Innovation Center will require approximately $50 million in additional capital expenditures. As a result, achieving full scale and finalizing all construction at the Lion Campus is expected to require additional capital expenditures of approximately $100 million, representing a total investment for the project of approximately $180 million. Achieving full scale at the Lion Campus will require the Company to complete the installation of necessary production stations and equipment, improvements in production optimization and the increase of automatization at the facility, the achievement of certain engineering milestones relating to the development of the Company's battery technology (including in connection with integration of the battery packs into Lion's vehicles), and additional hires of specialized and other employees.

In the short term, the Company expects to focus on achieving and ramping-up commercial production of battery modules and packs, with the goal of bringing its production capacity to up to 1.7 GWh on an

annual basis by the end of fiscal 2023. The Company expects that this will require capital expenditures for fiscal 2023 of approximately $23 million, of which almost half is expected to relate to the purchase of manufacturing equipment. Other capital expenditures for fiscal 2023 are expected to relate to battery development costs, property improvements and the purchase of IT equipment. With respect to the Innovation Center, the Company expects to incur additional capital expenditures of approximately $22 million in fiscal 2023, the vast majority of which is expected towards property improvements, with a portion expected towards the purchase of equipment. While the Innovation Center is expected to form an integral part of the Company’s R&D activities in the future, in the short-term, the Company will be principally focused on the production of battery modules and packs and expects to use the Innovation Center as a testing and certification center for vehicles and batteries and as a warehousing space in order to leverage space available, maximize cost efficiency, and manage the Company's liquidity profile.

Management expects that approximately 55% (approximately $25 million) of fiscal 2023 expenditures related to the build out of the Lion Campus will be funded from support available under existing financing agreements with the Canadian federal (the SIF Loan) and Quebec provincial government (the IQ Loan), subject to meeting the requirements for the related claim process and timing under such instruments.

That said, the cadence of the Company’s investments relating to the Lion Campus and the timing of installation of battery pack and module production lines as well as completion of the Innovation Center has been and will continue to be reassessed by management on a continuous basis depending upon prevailing economic conditions, the demand environment for the Company's products, global market conditions relating to the supply of battery cells and other components used in Lion's battery modules and packs, as well the Company's liquidity profile. As such, management’s expectations described above with respect to the Lion Campus, the related ramp-up of production and the estimated maximum capacity as well as the Innovation Center are based on a number of assumptions and may be subject to change, and there is no assurance that the Company’s plan will materialize as expected. See section 3.0 of this MD&A entitled "Caution Regarding Forward-Looking Statements".

With respect to the battery manufacturing facility, after the end of fiscal 2022, on February 2, 2023, Lion announced that it completed a sale-leaseback transaction for the building for a total purchase price of C$28 million. See "Sale-Leaseback of Mirabel Battery Manufacturing Building and Repayment of Revolving Credit Facility" under section 9.0 of this MD&A entitled "Recent Developments".

Delivery of First Bus Funded by a Grant under the U.S. Environmental Protection Agency's (EPA) Clean School Bus Program

In December 2022, the Company announced that it completed the delivery of its first LionC zero-emission school bus funded by the U.S. EPA's Clean School Bus Program to Mount Desert Island Regional School System in Bar Harbor, Maine. Mount Desert received a U.S. manufactured Lion bus built at the Company's recently opened factory in Joliet, Illinois. See “Joliet Facility” in section 8.0 of this MD&A entitled “Operational Highlights”.

Production of First Lithium-ion Battery Pack

In December 2022, the Company announced that, following the completion of transfer of a first portion of the Company's battery assembly line from JR Automation’s facility in Troy, Michigan to the Company's battery manufacturing facility in Mirabel, Quebec, the Company completed production of its first lithium-ion battery pack at the Lion Campus. Final certification of the first battery pack is expected in the first half of 2023, followed by a gradual ramp up of production at the Lion Campus in 2023. See “Lion Campus” in section 8.0 of this MD&A entitled “Operational Highlights”.

Multi-Year Cell Supply Agreement

On November 22, 2022, the Company entered into a four-year supply agreement for the supply of lithium-ion battery cells (the "Cell Supply Agreement") to be used for the manufacturing of batteries for electric vehicles. Subject to the terms and conditions of the Cell Supply Agreement, the supplier thereunder has committed to supply, and Lion has committed to purchase, on a non-exclusive basis, lithium-ion battery cells at escalating volumes over calendar years 2023 and 2024, at agreed upon prices, subject to adjustments, including to account for changes in the prices of raw materials and changes in specifications. Volumes and unit prices for calendar years 2025 and 2026 remain to be agreed upon by the parties. The Cell Supply Agreement currently provides that 39 million lithium battery cells are to be purchased by Lion in total over calendar years 2023 and 2024. See “Maturity analysis of contractual obligations” in section 16.0 of this MD&A entitled “Liquidity and Capital Resources” and section 23.0 of this MD&A entitled “Risk Factors”.

Global Supply Chain

During fiscal 2022, global supply chain challenges continued to be exacerbated by labor shortages and other global economic uncertainties and events such as the current inflationary environment and the military conflict between Russia and Ukraine. Such disruptions, including port congestion, rail and weather disruptions, trucker shortages and intermittent supplier shutdowns and delays, have resulted in component shortages, extended lead times for delivery of parts and raw materials, as well as, in certain cases, additional costs and production slowdowns. Therefore, the Company has from time-to-time experienced and may experience in the future shortages of raw materials, components and labor resulting in production slowdowns. These slowdowns have impacted and may impact in the future the Company’s ability to deliver finished units to clients, which, in turn, may negatively impact profitability and result in a decrease in cash flows from operations.

9.0 Recent Developments

North American Agreement with Mitsubishi HC Capital Canada and ENGS Commercial Finance Co. to Provide Financing for All-electric Buses and Medium- and Heavy-Duty Trucks Through LionCapital Solutions

On February 13, 2023, Lion announced that it entered into an agreement with Mitsubishi HC Capital Canada, a subsidiary of Mitsubishi HC Capital America, and its related company, ENGS Commercial Finance Co, to provide financing solutions to Lion school bus and truck customers in the United States and Canada through LionCapital Solutions' vehicle financing program.

Sale-Leaseback of Mirabel Battery Manufacturing Building and Partial Repayment of Revolving Credit Facility

On February 2, 2023, Lion completed a sale-leaseback transaction with BTB Real Estate Investment Trust for its battery manufacturing building located in Mirabel, Quebec for a total purchase price of $21.0 million (C$28 million). Concurrent with the sale, Lion entered into a lease agreement with BTB for the Mirabel battery manufacturing building, with an initial 20-year term and subsequent renewal options. The transaction does not cover the innovation center building which remains the property of Lion.

On February 13, 2023, net proceeds from the sale-leaseback transaction, together with cash from operating activities, were used to repay $22.5 million (CA$30.0 million) under the revolving credit facility, representing a portion of the Company's total drawings under its revolving credit facility.

Over-allotment Option with respect to December 2022 Offering

On January 17, 2023, the Company announced full exercise and closing of the underwriters' over-allotment option with respect to the December 2022 Units Offering, which resulted in the Company issuing and selling to the underwriters 2,952,755 additional units at a price of $2.54 per unit for aggregate gross proceeds of approximately $7.5 million, before underwriting commissions and offering costs. See "December 2022 Offering" in section 8.0 of this MD&A entitled "Operational Highlights".

Lion All-Electric Trucks Become Eligible for Commercial Clean Vehicle Credit of up to $40,000 under the Inflation Reduction Act

In January 2023, Lion was approved by the Internal Revenue Service as a qualified manufacturer for the commercial clean vehicle credit under the Inflation Reduction Act such that Lion's all-electric trucks sold in the United States may now be eligible for a tax credit of up to $40,000. On January 1, 2023, the commercial clean vehicle credit, which provides for a 10-year tax credit of up to $40,000 for the purchase of new Class 4-8 electric commercial vehicles, became available to businesses and tax-exempt organizations in the United States to incentivize the adoption of EVs.

10.0 Order Book[3]

As of March 9, 2023, Lion's vehicle order book stood at 2,468 all-electric medium- and heavy-duty vehicles, consisting of 301 trucks and 2,167 buses, representing a combined total order value of approximately $575 million as calculated per management's methodology further described below. Additionally, LionEnergy, Lion's division that assists customers with selecting, purchasing, project managing and deploying charging infrastructure ahead of vehicle delivery and which generates revenues through project management and consulting services as well as the resale of charging stations from global charging infrastructure manufacturers, had an order book of 317 charging stations, representing a combined total order value of approximately $6 million, as of March 9, 2023 as calculated per management's methodology further described below.

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[3] See section 4.0 of this MD&A entitled "Non-IFRS Measures and Other Performance Metrics".

Order Book Methodology

General Principle:	The Company's vehicle and charging stations order book is determined by management based on purchase orders that have been signed, orders that have been formally confirmed by clients or products in respect of which formal joint applications for governmental subsidies or economic incentives have been made by the applicable clients and the Company. The order book is expressed as a number of units or a total dollar value, which dollar value is determined based on the pricing of each unit included in the order book as further explained below under the section entitled "Pricing". The vehicles included in the vehicle order book as of March 9, 2023 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025. Substantially all of the vehicle orders included in the order book are subject to the granting of governmental subsidies and incentives, including programs in respect of which applications relating to vehicles of Lion have not yet been fully processed to date. The processing times of governmental subsidies and incentives are also subject to important variations. As further described below under the sections entitled "Delivery Periods" and "Ongoing Evaluation; Risk Factors", there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part. The Company's presentation of the order book should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales.
Delivery Periods:	The Company's order book refers to products that have not yet been delivered but which are reasonably expected by management to be delivered within a time period that can be reasonably estimated and includes, in the case of charging stations, services that have not been completed but which are reasonably expected by management to be completed in connection with the delivery of the product. Purchase orders and applications relating to vehicles of Lion generally provide for a time period during which the client expects delivery of the vehicles. Such period can vary from a specific date, a number or range of months after the issuance of the order or application, or a calendar year. The vehicles included in the vehicle order book as of March 9, 2023 provided for a delivery period, subject to the satisfaction of the conditions set forth in each order (which, in substantially all cases as further discussed herein, relate to the approval of governmental subsidies and grants), ranging from a few months to the end of the year ending December 31, 2025, which corresponds to the latest date by which claims are required to be made according to the current eligibility criteria of the Federal's Infrastructure Canada's Zero-Emission Transit Fund ("ZETF"), unless otherwise agreed by Infrastructure Canada. Delivery periods are disclosed from time to time by the Company when available in respect of material orders. Delivery periods should not be construed as a representation or a guarantee by the Company that the actual delivery time will take place as scheduled. Given the nature of the business and the products of the Company, the implied lead time for the production and delivery of a vehicle (which may be impacted, among other things, by supply chain challenges or changes in specifications), the nature of certain customers of the Company (in many cases, fleet owners operating capital intensive operations which require financing and ongoing scheduling flexibility), and the fact that, as further described herein, substantially all of the vehicle orders included in the order book are subject to the granting of governmental subsidies and incentives, actual delivery times may be subject to important variations or delays. Please refer to the section entitled "Ongoing Evaluation; Risk Factors" below regarding the potential impact of variations or delays in deliveries.

Pricing:	When the Company's order book is expressed as an amount of sales, such amount has been determined by management based on the current specifications or requirements of the applicable order, assumes no changes to such specifications or requirements and, in cases where the pricing of a product or service may vary in the future, represents management's reasonable estimate of the prospective pricing as of the time such estimate is reported. A small number of vehicles included in the order book have a pricing that remains subject to confirmation based on specifications and other options to be agreed upon in the future between the applicable client and the Company. For purposes of the determination of the order book and the value allocated to such orders, management has estimated the pricing based on its current price lists and certain other assumptions relating to specifications and requirements deemed reasonable in the circumstances.
Performance Metric:	The order book is intended as a supplemental measure of performance that is neither required by, nor presented in accordance with, IFRS, and is neither disclosed in nor derived from the financial statements of the Company. The Company believes that the disclosure of its order book provides an additional tool for investors to use in evaluating the Company's performance, market penetration for its products, and the cadence of capital expenditures and tooling. The Company's computation of its order book is subject to the specific methodology described herein and may not be comparable to other similarly entitled measures computed by other companies, because all companies may not calculate their order book in the same fashion. Other companies also sometimes refer to or use "order backlog" or "order intake" as performance metrics, which are most likely not calculated on the same basis as the Company's order book. In addition, as explained above, the Company's presentation of the order book is calculated based on the orders and the applications made as of the time that the information is presented, and it is not based on the Company's assessment of future events and should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales.

Ongoing Evaluation; Risk Factors:	A portion of the vehicles or charging stations included in the Company's order book may be cancellable in certain circumstances (whether by reason of a delivery delay, unavailability of a subsidy or incentive or otherwise) within a certain period. Management reviews the composition of the order book every time it is reported in order to determine whether any orders should be removed from the order book. For purposes of such exercise, management identifies orders that have been or are reasonably likely to be cancelled and examines, among other things, whether conditions attaching to the order are reasonably likely to result in a cancellation of the order in future periods as well as any other available information deemed relevant, including ongoing dialogue with clients. Such exercise may result from time to time in orders that have previously been included in the order book being removed even if they have not been formally canceled by the client. The Company cannot guarantee that its order book will be realized in full, in a timely manner, or at all, or that, even if realized, revenues generated will result in profits or cash generation as expected, and any shortfall may be significant. The Company's conversion of its order into actual sales is dependent on various factors, including those described below and under section 23.0 of this MD&A entitled "Risk Factors". For instance, a customer may voluntarily or involuntarily default on an order, may become subject to bankruptcy or insolvency or cease its business operations. In addition, substantially all of the vehicle orders included in the order book are subject to conditions relating to the granting of governmental subsidies or incentives or a specified timing for the delivery of the vehicle and, in a limited number of cases, the availability of certain specifications and options or the renewal of certain routes by governmental or school authorities. As a result, the Company's ability to convert its order book into actual sales is highly dependent on the granting and timing of governmental subsidies and incentives, most notably subsidies and incentives under the Quebec government's 2030 Plan for a Green Economy (the "Quebec Green Economy Plan"), under the Federal's Infrastructure ZETF, the Government of Canada Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV) Program, the U.S. Environmental Protection Agency Clean School Bus Program and California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). Approximately half of the vehicles included in the order book are contingent upon grants under the ZETF, in respect of which applications relating to vehicles of Lion have not yet been fully processed to date and December 31, 2025 is the latest date by which claims are required to be made according to the current eligibility criteria of the program, unless otherwise agreed by Infrastructure Canada. Any termination, modification, delay or suspension of any governmental subsidies and incentives, including, most importantly as of the date hereof, the ZETF or the Quebec Green Economy Plan, could result in delayed deliveries or the cancellation of all or any portion of orders, which, in turn, could have a material and adverse effect on the Company's business, results of operations or financial condition. The Company's conversion of its order book into actual sales is also dependent on its ability to economically and timely manufacture its vehicles, at scale. The Company delivered 196 vehicles during the year ended December 31, 2021, and 519 vehicles during the year ended December 31, 2022. As of March 9, 2023, the Company's vehicle order book stood at 2,468 vehicles. The execution of the Company's growth strategy and the conversion of its order book, which currently provides for deliveries ranging from a few months to the end of the year ending December 31, 2025, will therefore require significant ramp-up in its production. The Company's Saint-Jerome facility currently has an estimated annual production capacity of 2,500 vehicles at full scale and the Company is in the process of establishing its operations at the Joliet Facility and the Lion Campus (see section 8.0 of this MD&A entitled "Operational Highlights" and "Product Development and Manufacturing" under section 11.0 of this MD&A entitled "Key Factors Affecting Lion's Performance" for further details), the Company has limited experience to date in high volume manufacturing of its vehicles. In addition, as of March 9, 2023, 428 units included in the order book, consisting mainly of LionA and LionD buses and Lion8T trucks and representing a combined total order value of approximately $155 million, related to products which had been developed and were being sold, but that were not currently in commercial production. See "Products and Solutions" in section 6.2 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "General Development of the Business". Any failure by the Company to successfully develop its vehicles, source its key components, and scale its manufacturing processes within projected costs and timelines could have a material adverse effect on its business, results of operations or financial condition. As a result, the Company's realization of its order book is subject to a number of risks and uncertainties, including the risks described in sections 3.0 and 23.0 of this MD&A entitled "Caution Regarding Forward-Looking Statements" and "Risk Factors", respectively, and there can be no assurance that the Company will be successful in converting all or a significant portion of its order book into actual sales.

11.0 Key Factors Affecting Lion's Performance

Lion believes that its performance and future success are dependent on multiple factors that present significant opportunities, but also pose risks and challenges, including those discussed below and in section 23.0 of this MD&A entitled "Risk Factors."

Regulatory Landscape and Government and Economic Incentives

Lion competes in an industry that is subject to environmental regulations across the various jurisdictions in which it sells its products. While regulations are expected to continue to become increasingly stringent over time, especially with respect to the use of diesel vehicles, various subsidies and financial incentives programs have been introduced by governmental authorities in Canada and the United States in order to promote the adoption of emissions-free vehicles. Demand for Lion's vehicles is currently highly influenced by such federal, state, provincial and local tax credits, rebates, grants and other government programs and incentives that promote the use of battery electric vehicles. Substantially all of the vehicle orders included in Lion's order book are subject to the granting of governmental subsidies and incentives, including programs in respect of which applications relating to vehicles of Lion have not yet been fully processed to date. The processing times of governmental subsidies and incentives are also subject to important variations. As further described under "Delivery Periods" and "Ongoing Evaluation; Risk Factors" in section 10.0 of this MD&A entitled "Order Book," there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part. See section 23.0 of this MD&A entitled "Risk Factors."

Additionally, demand for Lion's vehicles may be influenced by laws, rules, regulations and programs that require reductions in carbon emissions, such as the various measures implemented by lawmakers and regulators in California and Quebec, among others, designed to increase the use of electric and other zero-emission vehicles, including the establishment of firm goals in certain instances for the number of these vehicles operating on state roads by specified dates and the enactment of various laws and other programs in support of these goals.

Although Lion's vehicles qualify as zero emissions vehicles ("ZEVs"), they are subject to regulations regarding vehicle emissions. For example, in the United States, every class of heavy-duty engines or vehicles must receive Certificate of Conformity ("COCs") from the EPA prior to being sold. These COCs must be obtained for each model year of production, and failure to obtain them prior to entering Lion's vehicles into commerce may result in substantial fines or penalties. In addition, the EPA and California Air Resources Board ("CARB") have annual certification greenhouse gas emissions requirements related to Lion's vehicles. The CARB certification is required to participate in California's HVIP. In Canada, the Heavy-duty Vehicle and Engine Greenhouse Gas Emission Regulations adopted under the Canadian Environmental Protection Act, 1999, establish Canadian emission standards and test procedures for Canadian manufacturers, distributors and importers of heavy-duty vehicles. These standards and procedures are aligned with the requirements of the United States Code of Federal regulations for on-road heavy-duty vehicles and engines published by the EPA, parts of which are incorporated by reference in the regulations. However, testing and other requirements to demonstrate compliance may vary, adding to the regulatory complexity of Lion's operations. In addition, the use, storage, transport, and disposal of Lion's battery packs is subject to extensive regulation. Lithium-ion cells may be regulated as "hazardous" or "dangerous" goods under several regulatory regimes in both the United States and Canada. In addition to the proper handling, recycling, and disposal of expended batteries, Lion's operations are subject to a wide range of laws and regulations related to the protection of the environment, including those regulating air emissions, discharges to water, waste management, worker health and safety, and environmental cleanup.

Customer Demand for Electrification

The demand for Lion's vehicles is highly dependent upon the general customer demand for electric vehicles. The electrification of medium and heavy-duty commercial vehicles continues to gain momentum as users and governmental authorities are looking for novel solutions to reduce greenhouse gas (“GHG”) emissions and atmospheric pollution generally while the cost competitiveness of electric vehicles continues to improve. While Lion anticipates that an increasing number of fleet owners and operators will seek all-electric alternatives to reduce the carbon footprint of their diesel fleets, its performance and future success will be largely influenced by the rates of adoption of electric vehicles by customers in markets in which it operates. Lion intends to leverage its broad offering of electric vehicles available for purchase today in order to benefit from the growing customer demand for electric vehicles. In addition, in order to meet customer demand and drive adoption of its vehicles and solutions, Lion plans to make comprehensive additions to its production capacity, which are expected to require significant capital and operating expenses.

Global Supply Chain

Global supply chain challenges continue to be exacerbated by labor shortages and other global economic uncertainties and events such as the military conflict between Russia and Ukraine. Such disruptions including port congestion, rail and weather disruptions, trucker shortages, and intermittent supplier shutdowns and delays, have resulted in component shortages, component price inflation, extended lead times for delivery of parts and raw materials, as well as, in certain cases, additional costs and production slowdowns for manufacturers. While the availability of certain vital components has somewhat improved, increased commodity pricing on battery cells and other components resulting from those global supply chain challenges continues to put significant strain on the supply chain system. The Company’s supply for battery cells, battery packs and modules and other raw materials is critical in allowing the Company to scale its operations and execute on its growth strategy, such that any supply delay or vulnerability in the battery supply chain could cause delays in the availability of the Company’s products. In its efforts to mitigate the impact of global supply chain challenges, the Company continues to focus on the management of inventory for critical components such as batteries and motors and to increase its reliance on local sourcing in order to develop a supply chain that is as close as possible to its manufacturing facilities. In addition, the Company has and continues to increase its supplier redundancy for specific parts. From a manufacturing standpoint, the Company has also increased in-house fabrication and re-designed certain sub-assemblies to circumvent parts most affected by supply chain challenges, such as connectors used in the fabrication of low and high voltage wiring harnesses. The Company is continuously monitoring the situation and expects to continue implementing measures that will contribute to mitigate these issues. In addition, the Company has continued to roll out near-term price increases in certain markets.

Labor shortages may impact the Company and its suppliers. They may manifest themselves in the form of employee turnover, departures, and demands for higher wages which, in turn, may result in operations at reduced capacity, therefore resulting in lower production and deliveries, delayed growth plans, and may pose additional challenges related to employee compensation. In addition, the Company may need to continue to incur increasing freight and logistic expenses to expedite delivery of components used in its vehicles and to proactively increase inventory levels, particularly considering ongoing supply chain disruptions which may continue for the foreseeable future. Therefore, the Company has from time-to-time experienced and may experience in the future, shortages of raw materials, components, and labor resulting in production slowdowns. These slowdowns have impacted and may impact in the future the Company's ability to deliver finished units to clients, which, in turn, may negatively impact profitability and result in a decrease in cash flows from operations. As the Company ramps up its production and launches new products, challenges associated to global supply chain issues could be exacerbated.

To date, no monetary contractual penalties have been incurred by the Company as a result of such global supply chain challenges. In certain cases, supply chain challenges have contributed to delays in the rollout of certain products, which have resulted in the loss of a given subsidy or incentive for a client, or have forced a client to reallocate annual spending, which in turn may have contributed to the

cancellation of certain orders. In other cases, such challenges have required the Company to collaborate with its clients to agree on updated delivery periods or otherwise enter into new purchase orders. See section 10.0 of this MD&A entitled “Order Book.”

Reduction in Total Cost of Ownership

The total cost of ownership (“TCO”), along with vehicle range and payload capacity, quality and reliability, safety, customer experience, technological innovation, charging expertise and compliance with environmental regulation are the primary drivers of truck and bus purchasing decisions for fleet owners and operators.

Lion’s management believes that Lion’s truck TCO is favorable to comparable diesel vehicles today in most use cases. Over time, the TCO advantage of electric trucks is expected to further increase as electric vehicle prices reduce, which will in turn further improve the economic benefit and rationale for fleet owners and operators to purchase Lion’s all-electric vehicles. In the school bus market, the lower annual mileage of individual units typically makes it more difficult for the lower energy and maintenance costs to significantly offset the currently higher upfront costs of electric vehicles over incumbent diesel units. As such, at the current time, governmental subsidies and incentives are often required for electric buses to be competitive over diesel units from a pure TCO point of view in this category. Over time, as the cost of the vehicles decreases as a result of, among other things, reduction in battery costs from increased vertical integration in manufacturing of battery systems, increased purchasing power with suppliers through larger volume commitments, increased manufacturing capacity utilization and fixed cost absorption, and other productivity gains, the TCO for electric buses is expected to become favorable even in the absence of governmental subsidies and incentives. However, if the cost of electric vehicles does not decrease over time, or if subsidies or incentives are reduced, eliminated or expire, Lion’s future sales could be negatively impacted. See section 23.0 of this MD&A entitled “Risk Factors."

Product Development and Manufacturing

Lion’s success will depend on its ability to economically develop, manufacture and sell its vehicles at scale and meet its customers’ business needs. Lion’s current line-up of purpose-built all-electric vehicles consists of trucks, which can be divided into four main platforms, and Type A, Type C and Type D buses. Lion has also established partnerships and other relationships with third party suppliers to enable it to offer to its clients a variety of vehicle configurations, upfit equipment options and applications. Although Lion has developed and manufactured specialized chassis for such applications that can fit all-electric battery packs, the electrification and final configuration of certain of the specialized applications offered by Lion and its partners require input from upfitters and their ultimate customers and, in certain instances, Lion is still in the process of finalizing testing and integration with its partners and customers. Lion has also developed, and may in the future develop, additional products, specialized applications and services. Lion continuously assesses the timing and allocation of resources with respect to the development of other products and/or integration of specialized applications. See “Products and Solutions” in section 6.2 of the Company’s Annual Information Form for the year ended December 31, 2022 entitled “General Development of the Business” for a description of Lion’s products and solutions and product development pipeline. In addition, vehicle manufacturers often experience, and the Company has in the past experienced delays in the design, production and launch of new products. Any delay in the design, production and launch of new models or in doing so cost-effectively and with high quality, or any failure by the Company to satisfy the needs and requirements of its customers in terms of products, specifications and services, could harm the Company’s reputation and brand.

Lion has one vehicle manufacturing facility in Canada located in Saint-Jerome, Quebec, which has an estimated annual capacity at full scale of 2,500 vehicles. Lion is also in the process of establishing manufacturing operations at the Joliet Facility, which is the Company’s biggest footprint in the United States and the Lion Campus, which is located at the YMX International Aerocity of Mirabel, Quebec, and

which consists of the Company's battery manufacturing plant and innovation center. Almost all of the vehicles delivered by the Company during fiscal 2022 were manufactured in Saint-Jerome. With respect to the estimated annual capacity at full scale at the Saint-Jerome manufacturing facility of 2,500 vehicles, while the Company does not expect that any substantial capital expenditure will be required to achieve such potential, as increase in production could be achieved through additional workforce and certain optimization of production lines to take into account production ramp-up and increased output, the Company has not to date produced at such level and has limited experience to date in high volume manufacturing of its vehicles. In addition, the execution of Lion's growth strategy will require the Company to establish operations and ramp-up manufacturing capacity at the Joliet Facility and the Lion Campus in order to further scale its operations and increase manufacturing capacity. As a result, Lion has incurred and expects it will continue to incur significant expenditures. These expenditures are significant and will make it harder for Lion to achieve profitability and positive cash flow, especially if Lion cannot manufacture and distribute its vehicles on schedule and at scale. Any failure by the Company to successfully develop it vehicles, source its key components, and scale its manufacturing processes within projected costs and timelines could have a material adverse effect on its business, results of operations or financial condition.

Costs of Raw Materials and Supplies

Components in Lion's vehicles are made of various raw materials, including aluminum, steel, composite, carbon fiber, non-ferrous metals (such as copper) and other materials and minerals used to manufacture lithium-ion batteries. The prices for these raw materials fluctuate depending on market conditions, global demand and other factors, including inflation. Lion has, in certain cases, entered into long-term contractual arrangements with suppliers with respect to the supply of certain key components of its vehicles, including lithium-ion batteries and battery cells, the Company remains exposed to multiple risks relating to price fluctuations and other factors for lithium-ion batteries. In particular, the inability of the Company's current or future battery manufacturers to sustainably meet the Company's timelines, or cost, quality and volume needs may negatively impact the Company, force the redesign of certain of its models or translate in the cancellation of orders or the loss of certain clients or sales.

With respect to the supply of battery cells and packs, Lion currently relies on third party battery suppliers to source battery cells, modules and packs that it integrates in its vehicles. In connection with the establishment of its manufacturing operations at the Lion Campus, Lion plans on manufacturing its own battery modules and packs that will integrate 21700 cylindrical battery cells sourced from third party suppliers, principally in the short term under the Cell Supply Agreement entered into in November 2022. See “Multi-Year Cell Supply Agreement” under section 8.0 of this MD&A entitled “Operational Highlights.” Lion intends to continue in certain instances to rely on third-party suppliers for battery packs. By producing battery packs in-house, Lion expects to increase optimization for product design, cost and production efficiency.

As previously disclosed, the Company entered into a multi-year supply contract with Romeo Systems, Inc. (“Romeo”) (now a subsidiary of Nikola Corporation ("Nikola")) in November 2020 pursuant to which the Company has committed to purchase from Romeo, and Romeo has committed to supply to the Company, battery packs, subject to an agreed upon maximum purchase price. To date, the Company has outstanding purchase orders for the purchase of battery packs in the aggregate amount of approximately $14 million, and Romeo has failed to comply with its obligations under such orders and the Company believes as of the date hereof that it is unlikely that Romeo will voluntarily comply with its obligations under the contract and outstanding purchase orders. The Company initiated arbitration proceedings in order to enforce the terms and conditions of the contract. As per the terms of the contract, the arbitration proceedings are conducted on a confidential basis. While the Company continues to monitor the situation closely, the Company expects that the situation will result in further delays and challenges with the supply from Romeo on the terms initially agreed upon as well as significant costs and expenses relating to the procedures undertaken by the Company, all of which could, in addition to adversely impacting the Company's manufacturing operations and the deliveries of Lion8T models, materially adversely affect the Company's business, results of operations or financial condition. In the beginning of fiscal 2023, the Company also initiated legal proceedings against Nikola, another manufacturer of electric vehicles which

is also relying on battery modules and packs and completed the acquisition of Romeo in the fourth quarter of fiscal 2022, on the basis that it intentionally interfered in the Company's contractual relationship with Romeo and in the Company's business expectancy with respect to its relationship with Romeo. See sections 3.0 and 23.0 of this MD&A entitled "Caution Regarding Forward-Looking Statement" and "Risk Factors," respectively.

The Company does not currently hedge its long-term exposure to price fluctuations of raw materials and supplies. Therefore, an increase in prices of raw materials and supplies could negatively impact the Company's operating results if its suppliers are unable or unwilling to fulfill purchase orders submitted by the Company and/or if the Company is not able to find other manufacturing or supply alternatives or transfer these cost increases to customers.

Foreign Exchange

The Company's revenues are reported in U.S. dollars but its functional currency is the Canadian dollar and the majority of its transactions are in Canadian dollars. The Company's main manufacturing operations are currently located in Canada. Suppliers of the Company are located in Canada, the United States and other foreign jurisdictions. The Company's current indebtedness is mainly denominated in Canadian dollars. Going forward, the Company's growth strategy will require substantial investments in Canada and in the United States. Therefore, the Company's revenues, gross profit and net income (loss) reported in U.S. dollars are and are expected to continue to be exposed to foreign exchange fluctuations.

Seasonality

The Company's sales have historically experienced substantial fluctuations from quarter to quarter, particularly considering that they have been mainly comprised of sales of school buses which are mainly driven by the school calendar. While the Company expects to continue to experience seasonal variations in its sales in the foreseeable future, management believes that the mix of product sales may vary in the future, especially in connection with the Company's execution of its growth strategy and as sales of trucks may become more prevalent and new products and applications may be introduced. As a result, it is difficult to predict if any historical trends will be reproduced in the future.

12.0 Components of Results of Operations

Revenues

To date, Lion has primarily generated revenues from the sale of its all-electric school bus vehicles. Over time, Lion anticipates a significant proportion of its revenues to be generated from the sale of all-electric trucks over time.

Cost of Sales

Lion's cost of sales includes material costs, transportation costs, labor, manufacturing overhead, and other direct costs related to electric vehicle production.

Administrative Expenses

Administrative expenses consist of non-manufacturing facility leasing, share-based compensation, as well as employee benefits for management, information technology, human resources, accounting, legal, investor relations, and other general administrative functions. Administrative expenses also include professional fees, non-manufacturing depreciation expense, and non-manufacturing related insurance costs (including director and officer insurance). Lion expects its cash-based administrative expenses to increase for the foreseeable future as Lion increases headcount to support the growth of its business.

Selling Expenses

Selling expenses consist of salaries and other similar expenses related to Lion's bus and truck sales force and employee benefit costs, share-based compensation, business development, aftermarket sales and advertising, marketing and communications. Lion expects its cash-based selling expenses to increase for the foreseeable future as Lion expands its sales force and increases headcount to support the growth of its business.

Transaction Costs

Transaction costs consist of banking, legal, and other professional fees incurred in connection with the Business Combination of May 6, 2021. No such transaction costs were incurred in fiscal 2022.

Finance Costs

Finance costs consists primarily of interest paid on Lion's outstanding debts, legal and other costs related to debt and share warrant financing activities, interest on lease liabilities, interest on convertible debt instruments as well as non-cash accretion expenses on retractable common shares, and non-cash accretion and revaluation expenses on the balance of purchase price payable related to the acquisition of dealership rights.

Foreign Exchange (Gain) Loss

Foreign exchange gains and losses represent the gains and losses on instruments such as cash balances, accounts receivable, accounts payable, debt balances and other accounts that are denominated in foreign currencies to the functional currencies of the related Lion entities, as a result of changes in foreign currency rates.

Change in Fair Value of Share Warrant Obligations

On July 1, 2020, in connection with the entering into of a master purchase agreement and a work order (collectively, the “MPA”) with Amazon Logistics, Inc. (the "Specified Customer"), the Company issued a warrant to purchase common shares of the Company (the “Specified Customer Warrant”) to Amazon.com NV Investment Holdings LLC (the “Warrantholder”) which vests, subject to the terms and conditions contained therein, based on the aggregate amount of spending by Amazon.com, Inc. and its affiliates on Lion's products or services.

At the election of the Warrantholder, any vested portion of the Specified Customer Warrant can be exercised either on a cash basis by the payment of the applicable exercise price or on a net issuance basis based on the in-the-money value of the Specified Customer Warrant. The exercise price of the Specified Customer Warrant corresponds to $5.66. The Specified Customer Warrant grants the Warrantholder the right to acquire up to 35,350,003 common shares of Lion.

There was an initial vesting of a portion of the Specified Customer Warrant which is exercisable for 5,302,511 common shares of Lion. The remaining portion of the Specified Customer Warrant vests in three tranches based on the aggregate amount of spending by Amazon.com, Inc. and its affiliates on Lion's products or services. The Specified Customer Warrant has a term of 8 years ending on July 1, 2028. Full vesting of the Specified Customer Warrant requires spending of at least $1.2 billion on Lion's products or services over the term of the Specified Customer Warrant, subject to accelerated vesting upon the occurrence of certain events, including a change of control of Lion or a termination of the MPA for cause.

Lion determined that the Specified Customer Warrant is a derivative instrument and is classified as a liability in accordance with IAS 32 - Financial Instruments: Presentation and IFRS 9 - Financial Instruments. The vested portion of the Specified Customer Warrant is initially recorded at fair value as a share warrant obligation and then revalued at each reporting date, with a corresponding contract asset recognized at inception. The corresponding contract asset recognized at inception will be amortized as a

reduction of revenues on a percentage per dollar of revenue generated with Amazon.com, Inc. and its affiliates.

Upon completion of the Business Combination, each outstanding warrant to purchase shares of NGA's common stock was converted into a warrant to acquire one common share of Lion (a "Business Combination Warrant"), at a price of $11.50 per share. A total of 27,111,741 NGA Warrants were converted into 27,111,741 Business Combination Warrants, 15,972,672 of which were public Business Combination Warrants and 11,139,069 of which were private Business Combination Warrants.

The Company determined that the warrants are derivative instruments and are classified as a liability in accordance with IAS 32 - Financial Instruments: Presentation and IFRS 9 - Financial Instruments. The warrants are initially recorded at fair value and then revalued at each reporting date.

Each Business Combination Warrant entitles the holder to acquire one common share of Lion at an exercise price of $11.50 per share until May 6, 2026, subject to adjustment in certain customary events. The public Business Combination Warrants may be redeemed by the Company in whole at a price of $0.01 per public Business Combination Warrant, provided that the last reported sales price of the Company's common shares equals or exceeds $18.00 per share for any 20 trading days within a 30 trading-day period commencing once the public Business Combination Warrants become exercisable and ending on the third trading day prior to the date on which the Company gives proper notice of such redemption.

Each private Business Combination Warrant may be exercised on a cashless basis and may not be redeemed by the Company for so long as it is held by Northern Genesis Sponsor LLC or its permitted transferees. Once transferred to any person that is not Northern Genesis Sponsor LLC or any of its permitted transferees, a private Business Combination Warrant becomes treated as a public Business Combination Warrant.

In connection with the December 2022 Offering, the Company issued 2022 Warrants. Each whole 2022 Warrant entitles the holder to purchase one common share for a price $2.80 per share for a period of five years ending December 15, 2027, subject to adjustment in certain customary events. The Company determined that the warrants are derivative instruments and are classified as a liability in accordance with IAS 32 - Financial Instruments: Presentation and IFRS 9 - Financial Instruments. The warrants are initially recorded at fair value and then revalued at each reporting date.

13.0 Results of Operations

Comparison of Annual Results

Lion's results of operations for the years ended December 31, 2022, 2021, and 2020 are presented below:

	Years ended						
	Dec 31, 2022	**Dec 31, 2021**	**Dec 31, 2020**	**Variation 2022-2021**	**% Change 2022-2021**	**Variation 2021-2020**	**% Change 2021-2020**
	(dollar amounts in thousands, except share and per share data)						
Revenue	**$139,914**	$57,710	$23,423	$82,204	142%	$34,287	146%
Cost of sales	**$152,862**	$57,665	$20,277	$95,197	165%	$37,388	184%
Gross (loss) profit	**$(12,947)**	$45	$3,145	$(12,993)	n.a.	$(3,100)	n.a.
Gross profit margin	***(9.3)%***	*0.1%*	*13.4%*	*n.a.*	*(9.3)%*	*n.a.*	*(13.3)%*
Operating expenses:							
Administrative expenses	**$44,843**	$78,423	$59,942	$(33,580)	(43)%	$18,481	31%
Selling expenses	**$22,974**	$27,720	$15,721	$(4,746)	(17)%	$11,999	76%
Transaction costs	**—**	$13,655	—	$(13,655)	n.m.	$13,655	n.m.
Operating (loss) income	**$(80,764)**	$(119,752)	$(72,518)	$38,988	n.m.	$(47,234)	n.m.
Finance costs	**$955**	$8,332	$8,667	$(7,377)	(89)%	$(335)	(4)%
Foreign exchange (gain) loss	**$1,973**	$1,037	$(681)	$936	n.m.	$1,718	n.m.
Change in fair value of share warrant obligations	**$(101,468)**	$(85,796)	$16,847	$(15,672)	n.m.	$(102,643)	n.m.
Net earnings (loss)	**$17,776**	$(43,325)	$(97,352)	$61,101	n.m.	$54,027	n.m.
Foreign currency translation adjustment	**$(18,310)**	$321	$(4,631)	$(18,631)	n.m.	$4,952	n.m.
Comprehensive loss	**$(534)**	$(43,004)	$(101,983)	$42,470	n.m.	$58,979	n.m.
Basic earnings (loss) per share [1]	**$0.09**	$(0.27)	$(0.88)	$0.36	n.m.	$0.61	n.m.
Diluted earnings (loss) per share [1]	**$0.09**	$(0.27)	$(0.88)	$0.36	n.m.	$0.61	n.m.
Basic weighted average number of common shares outstanding	**193,113,983**	162,245,092	110,551,314	30,868,891	n.a.	51,693,778	n.a.
Diluted weighted average number of common shares outstanding	**200,591,663**	162,245,092	110,551,314	38,346,571	n.a.	51,693,778	n.a.

n.a. = not applicable
n.m. = not meaningful

[1] All amounts have been adjusted to reflect the share split completed in connection with the Business Combination. See section 2.0 of this MD&A entitled "Basis of Presentation."

Revenue

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, revenue amounted to $139.9 million, an increase of $82.2 million, compared to the year ended December 31, 2021. The increase in revenue was primarily due to an increase in vehicle sales volume of 323 units, from 196 units (151 school buses and 45 trucks; 134 vehicles in Canada and 62 vehicles in the U.S.) for the year ended December 31, 2021, to 519 units (409 school buses and 110 trucks; 471 vehicles in Canada and 48 vehicles in the U.S.) for the year ended December 31, 2022. Revenues for the year ended December 31, 2022 were impacted by continuing global supply chain challenges, which required the Company to delay the final assembly of certain vehicles and resulted in increased inventory levels, as well as challenges associated with the production ramp-up and the development of certain models as further described in section 11.0 of this MD&A entitled “Key Factors Affecting Lion’s Performance”.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, revenue amounted to $57.7 million, an increase of $34.3 million, compared to the year ended December 31, 2020. The increase in revenue was primarily due to an increase in vehicle sales volume of 116 units, from 80 units (all school buses; 47 vehicles in Canada and 33 vehicles in the U.S.) for the year ended December 31, 2020, to 196 units (151 school buses and 45 trucks; 134 vehicles in Canada and 62 vehicles in the U.S.) for the year ended December 31, 2021. Revenues for the year ended December 31, 2021 were impacted by continuing global supply chain challenges, which required the Company to delay the final assembly of certain vehicles and resulted in increased inventory levels.

Cost of Sales

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, cost of sales amounted to $152.9 million, representing an increase of $95.2 million, compared to the year ended December 31, 2021. The increase was primarily due to increased sales volumes and higher production levels, increased fixed manufacturing and inventory management system costs related to the ramp-up of future production capacity, higher raw material and commodity costs, and the impact of continuing global supply chain challenges and inflationary environment.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, cost of sales amounted to $57.7 million, representing an increase of $37.4 million, compared to the year ended December 31, 2020. The increase was primarily due to increased sales volumes and higher production levels, increased fixed manufacturing costs related to the ramp-up of future production capacity, and the impact of global supply chain challenges.

Gross (Loss) Profit

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, gross profit decreased by $13.0 million to negative $12.9 million, compared to nil for the year ended December 31, 2021. The decrease was primarily due to the impact of increased fixed manufacturing costs and inventory management system costs related to the ramp-up of future production capacity, higher raw material and commodity costs, product mix, and the

impact of continuing global supply chain challenges and inflationary environment, partially offset by the positive impact of increased sales volumes.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, gross profit decreased by $3.1 million to nil, compared to $3.1 million for the year ended December 31, 2020. The decrease was primarily due to the impact of increased fixed manufacturing costs related to the ramp-up of future production capacity and the impact of global supply chain challenges, partially offset by the positive impact of increased sales volumes.

Administrative Expenses

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, administrative expenses decreased by $33.6 million, from $78.4 million for the year ended December 31, 2021, to $44.8 million. Administrative expenses for the year ended December 31, 2022 included $9.5 million of non-cash share-based compensation, compared to $56.7 million for the year ended December 31, 2021. Excluding the impact of non-cash share-based compensation, administrative expenses increased from $21.7 million for the year ended December 31, 2021 to $35.3 million for year ended December 31, 2022. The increase was mainly due to an increase in expenses reflecting Lion's transition to being a public company in May 2021, an increase in expenses resulting from the expansion of Lion's head office and general corporate capabilities in anticipation of an expected increase in business activities, as well as professional fees related to supply chain and strategic project optimization initiatives.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, administrative expenses increased by $18.5 million, from $59.9 million for the year ended December 31, 2020, to $78.4 million. Administrative expenses for the year ended December 31, 2021 included $56.7 million of non-cash share-based compensation, compared to $55.1 million for the year ended December 31, 2020. Excluding the impact of non-cash share-based compensation, administrative expenses increased from $4.8 million for the year ended December 31, 2020 to $21.7 million for year ended December 31, 2021. The increase was mainly due to an increase in expenses reflecting Lion's transition to being a public company, and the expansion of Lion's head office capabilities in anticipation of an expected increase in business activities, as well as non-cash share-based compensation.

Selling Expenses

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, selling expenses decreased by $4.7 million, from $27.7 million for the year ended December 31, 2021, to $23.0 million. Selling expenses for the year ended December 31, 2022 included $2.9 million of non-cash share-based compensation, compared to $14.4 million for the year ended December 31, 2021. Excluding the impact of non-cash share-based compensation, selling expenses increased from $13.3 million for the year ended December 31, 2021 to $20.1 million for year ended December 31, 2022. The increase was primarily due to Lion expanding its sales force in anticipation of the ramp-up of production capacity, and an increase in expenses as a result of the opening and operations of new Experience Centers.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, selling expenses increased by $12.0 million, from $15.7 million for the year ended December 31, 2020, to $27.7 million. Selling expenses for the year ended December 31, 2021 included $14.4 million of non-cash share-based compensation, compared to $10.2 million for the year ended December 31, 2020. Excluding the impact of non-cash share-based compensation, selling expenses increased from $5.5 million for the year ended December 31, 2020 to $13.3 million for year ended December 31, 2021. The increase was primarily due to Lion expanding its sales force in anticipation of the ramp-up of production capacity, and an increase in expenses associated with Experience Centers as a result of the opening and operations of new Experience Centers.

Transaction Costs

Transaction costs of $13.7 million for the year ended December 31, 2021 were incurred in the second quarter of 2021 and related to the completion of the Business Combination pursuant to which Lion became a public company, and were mainly composed of legal, banking, and other professional fees. No such transaction costs were incurred in fiscal 2022.

Finance Costs

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022 finance costs decreased by $7.4 million, from $8.3 million for the year ended December 31, 2021, to $1.0 million. Finance costs for the year ended December 31, 2022 were net of $5.1 million of borrowing costs capitalized to the Lion Campus construction and to development costs. Excluding the impact of capitalized borrowing costs, finance costs decreased by $2.2 million compared to the year ended December 31, 2021. The decrease was driven primarily by lower interest expense on long-term debt, the non-recurrence of interest expense on convertible debt instruments that was repaid in fiscal 2021 and accretion expense on retractable common shares which were repaid on May 6, 2021, and the gain on derecognition of a financial liability (which occurred as a result of the agreement with a private company relating to the previous acquisition of dealership rights in certain territories in the United States maturing on May 7, 2022), partially offset by an increase in financing costs related to the establishment of the ATM Program and the issuance of the 2022 Warrants and interest on lease liabilities, including for the Joliet Facility.

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021 finance costs decreased by $0.3 million, from $8.7 million for the year ended December 31, 2020, to $8.3 million. The decrease was driven primarily by lower accretion expense on retractable common shares which were repaid on May 6, 2021, partially offset by an increase in borrowing costs due to an increase in the amount of average debt outstanding and an increase in interest expense on convertible debt instruments (up until the respective repayments or reclassification to common shares of these related debts, which occurred on May 6, 2021), as well as and an increase in interest costs related to lease liabilities from new Experience Center openings.

Foreign Exchange Loss (Gain)

Fiscal 2022 compared to Fiscal 2021

Foreign exchange losses for both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies to the functional currencies of the related Lion entities. Foreign exchange loss for the year ended December 31, 2022, was $2.0 million compared to a loss of $1.0 million year ended December 31, 2021, largely as a result of stronger weakening of the Canadian dollar relative to the U.S. dollar during 2022, as compared to 2021.

Fiscal 2021 compared to Fiscal 2020

Foreign exchange losses and gains for both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies to the functional currencies of the related Lion entities. Foreign exchange loss for the year ended December 31, 2021, was $1.0 million compared to a gain of $0.7 million year ended December 31, 2020, largely as a result of a strengthening of the Canadian dollar relative to the U.S. dollar during 2021, as compared to 2020.

Change in Fair Value of Share Warrant Obligations

Fiscal 2022 compared to Fiscal 2021

Change in fair value of share warrant obligations resulted in a gain of $101.5 million for the year ended December 31, 2022, compared to a gain of $85.8 million for the year ended December 31, 2021, related to the warrants issued to a customer in July 2020, the public and private Business Combination Warrants issued as part of the closing of the Business Combination on May 6, 2021, and the 2022 Warrants issued in December 2022. The gain for the year ended December 31, 2022 results mainly from the decrease in the market price of Lion equity as compared to the previous valuations.

Fiscal 2021 compared to Fiscal 2020

Change in fair value of share warrant obligations resulted in a gain of $85.8 million for the year ended December 31, 2021, compared to a loss of $16.8 million for the year ended December 31, 2020, related to the warrants issued to a customer in July 2020 and the public and private Business Combination Warrants issued as part of the closing of the Business Combination on May 6, 2021. The gain for the year ended December 31, 2021 resulted mainly from the decrease in the market price of Lion equity as compared to the previous valuations.

Net Earnings (Loss)

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, net earnings increased by $61.1 million, from a net loss of $43.3 million for the year ended December 31, 2021, to net earnings of $17.8 million. The increase in net earnings for the year ended December 31, 2022 as compared to the year ended December 31, 2021 was largely due to lower non-cash share-based compensation, lower transaction and finance costs, and the higher gain on the fair value of share warrant obligations during discussed in “Change in fair value of share warrant obligations” above, partially offset by higher gross loss and higher administrative and selling expenses (excluding share-based compensation).

Fiscal 2021 compared to Fiscal 2020

For the year ended December 31, 2021, net loss decreased by $54.0 million, from $97.4 million for the year ended December 31, 2020, to $43.3 million. The lower net loss for the year ended December 31, 2021 as compared to the year ended December 31, 2020 was largely due to the gain related to the fair value of share warrant obligations, partially offset by higher administrative and selling expenses (including share-based compensation) and transaction costs.

Comparison of Fourth Quarter Results for Fiscal 2022 and Fiscal 2021

Lion's results of operations for the three months ended December 2022 and 2021 are presented below:

	Unaudited - three months ended			
	Dec 31, 2022	**Dec 31, 2021**	**Variation**	**% Change**
	(dollar amounts in thousands, except share and per share data)			
Revenue	**$46,769**	$22,870	$23,898	104%
Cost of sales	**$51,533**	$20,691	$30,843	149%
Gross (loss) profit	**$(4,765)**	$2,180	$(6,945)	n.a.
Gross profit margin	***(10)%***	*10%*	*n.a*	*(20)%*
Operating expenses:				
Administrative expenses	**$9,997**	$12,181	$(2,184)	(18)%
Selling expenses	**$5,643**	$4,790	$854	18%
Operating (loss) income	**$(20,405)**	$(14,791)	$(5,614)	n.m.
Finance costs	**$(891)**	$1,194	$(2,085)	(175)%
Foreign exchange loss	**$559**	$2,337	$(1,778)	n.m.
Change in fair value of share warrant obligations	**$(15,434)**	$(46,587)	$31,153	n.m.
Net earnings (loss)	**$(4,638)**	$28,266	$(32,904)	n.m.
Foreign currency translation adjustment	**$3,523**	$3,734	$(211)	n.m.
Comprehensive income (loss)	**$(1,115)**	$32,000	$(33,115)	n.m.
Basic earnings (loss) per share [(1)]	**$(0.02)**	$0.15	$(0.17)	n.m.
Diluted earnings (loss) per share [(1)]	**$(0.02)**	$0.14	$(0.17)	n.m.
Basic weighted average number of common shares outstanding	**200,557,268**	189,721,188	–	n.a.
Diluted weighted average number of common shares outstanding	**200,557,268**	198,898,382	–	n.a.

n.a. = not applicable
n.m. = not meaningful

[(1)] All amounts have been adjusted to reflect the share split completed in connection with the Business Combination. See section 2.0 of this MD&A entitled "Basis of Presentation."

Revenue

For the three months ended December 31, 2022, revenue amounted to $46.8 million, an increase of $23.9 million, compared to the corresponding period in the prior year. The increase in revenue was primarily due to an increase in vehicle sales volume of 103 units, from 71 units (57 school buses and 14 trucks; 43 vehicles in Canada and 28 vehicles in the U.S.) for the three months ended December 31, 2021 to 174 units (139 school buses and 35 trucks; 160 vehicles in Canada and 14 vehicles in the U.S.) for the three months ended December 31, 2022. Revenues for the three months ended December 31, 2022 were impacted by continuing global supply chain challenges, which required the Company to delay the final assembly of certain vehicles and resulted in increased inventory levels, as well as challenges associated with the production ramp-up and the development of certain models as further described in section 11.0 of this MD&A entitled "Key Factors Affecting Lion's Performance".

Cost of Sales

For the three months ended December 31, 2022, cost of sales amounted to $51.5 million, representing an increase of $30.8 million compared to $20.7 million in the corresponding period in the

prior year. The increase was primarily due to increased sales volumes and higher production levels, increased fixed manufacturing and inventory management system costs related to the ramp-up of future production capacity, higher raw material and commodity costs, and the impact of continuing global supply chain challenges and inflationary environment.

Gross (Loss) Profit

For the three months ended December 31, 2022, gross profit decreased by $6.9 million, from a gross profit of $2.2 million for the corresponding period in the prior year, to a gross loss of $4.8 million for the three months ended December 31, 2022. The decrease was primarily due to the impact of increased fixed manufacturing costs and inventory management system costs related to the ramp-up of future production capacity, higher raw material and commodity costs, product mix, and the impact of continuing global supply chain challenges and inflationary environment, partially offset by the positive gross profit impact of increased sales volumes.

Administrative Expenses

For the three months ended December 31, 2022, administrative expenses decreased by $2.2 million, from $12.2 million for the three months ended December 31, 2021, to $10.0 million for the three months ended December 31, 2022. Administrative expenses for the three months ended December 31, 2022 included $2.1 million of non-cash share-based compensation, compared to $4.4 million for the three months ended December 31, 2021. Excluding the impact of non-cash share-based compensation, administrative expenses increased from $7.8 million for the three months ended December 31, 2021 to $7.9 million for the three months ended December 31, 2022. The increase was mainly due to an increase in expenses resulting from the expansion of Lion's head office and general corporate capabilities in anticipation of an expected increase in business activities.

Selling Expenses

For the three months ended December 31, 2022, selling expenses increased by $0.9 million, from $4.8 million for the three months ended December 31, 2021, to $5.6 million for the three months ended December 31, 2022. Selling expenses for the three months ended December 31, 2022 included $0.4 million of non-cash share-based compensation, compared to $0.7 million for the three months ended December 31, 2021. Excluding the impact of non-cash share-based compensation, selling expenses increased from $4.1 million for the three months ended December 31, 2021 to $5.2 million for the three months ended December 31, 2022. The increase was primarily due to Lion expanding its sales force in anticipation of the ramp-up of production capacity, and an increase in expenses as a result of the opening and operations of new Experience Centers.

Finance Costs

For the three months ended December 31, 2022, finance costs decreased by $2.1 million compared to the corresponding period in the prior year. Finance costs for the three months ended December 31, 2022 were net of $5.1 million of capitalized borrowing costs. Excluding the impact of capitalized borrowing costs, finance costs increased by $3.0 million compared to the three months ended December 31, 2021. The increase was driven primarily by higher interest expense on long-term debt, due to higher debt outstanding during the quarter relating to borrowings made under the Revolving Credit Agreement, the IQ Loan, the SIF Loan, and the Finalta-CDPQ Loan Agreement, as well as an increase in financing costs related to the issuance of the 2022 Warrants, and an increase in interest costs related to lease liabilities, including for the Joliet Facility.

Foreign Exchange Loss

Foreign exchange losses for both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies to the functional currencies of the related Lion entities. For three months ended December 31, 2022, foreign exchange loss was $0.6 million, compared a loss of $2.3 million in the corresponding period in the prior year, largely as a result of a lesser weakening of the

Canadian dollar relative to the U.S. dollar during the three months ended December 31, 2022, as compared to the three months ended December 31, 2021.

Change in Fair Value of Share Warrant Obligations

Change in fair value of share warrant obligations moved from a gain of $46.6 million for the three months ended December 31, 2021, to a gain of $15.4 million, for the three months ended December 31, 2022. The gain for the three months ended December 31, 2022, was related to the warrants issued to a customer in July 2020, the public and private warrants issued as part of the closing of the Business Combination on May 6, 2021, and the 2022 Warrants issued under the December 2022 Offering, and resulted mainly from the decrease in the market price of Lion equity as compared to the previous valuations.

Net Earnings (Loss)

The net loss for the three months ended December 31, 2022 as compared to the net earnings for the corresponding prior period were largely due to the lower decrease in the fair value of share warrant obligations (resulting in a lower gain) discussed in “Change in fair value of share warrant obligations” above, a gross loss (versus gross profit in the prior period), higher administrative and selling expenses (excluding share-based compensation), and higher finance costs, partially offset by lower non-cash share-based compensation.

Summary of Quarterly Results

The table below sets forth certain summarized unaudited quarterly financial data for the eight most recently completed quarters. This quarterly information has been prepared in accordance with IFRS. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

For the three months ended (amounts in thousands, except per share amounts or otherwise indicated)	**Dec 31, 2022**	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenue	**$46,769**	$40,978	$29,521	$22,647	$22,870	$11,925	$16,689	$6,225
Net earnings (loss)	**$(4,638)**	$(17,200)	$37,511	$2,102	$28,266	$123,013	$(178,490)	$(16,114)
Net earnings (loss) per share								
Basic [(1)]	**(0.02)**	(0.09)	0.20	0.01	0.15	0.65	(1.13)	(0.15)
Diluted [(1)]	**(0.02)**	(0.09)	0.19	0.01	0.14	0.60	(1.13)	(0.15)
Weighted average number of shares outstanding (in thousands)								
Basic	**200,557**	191,792	190,003	190,003	189,721	189,008	158,200	110,551
Diluted	**200,557**	191,792	196,667	198,499	198,898	204,710	158,200	110,551

(1) All amounts have been adjusted to reflect the share split completed in connection with the Business Combination. See section 2.0 of this MD&A entitled “Basis of Presentation.”

The Company’s sales have historically experienced substantial fluctuations from quarter to quarter, particularly considering that they have been mainly comprised of sales of school buses which are mainly driven by the school calendar. While the Company expects to continue to experience seasonal variations in its sales in the foreseeable future, management believes that the mix of product sales may vary in the future, especially in connection with the Company’s execution of its growth strategy and as sales of trucks

become more prevalent and new products or applications may be introduced. As a result, it is difficult to predict if any historical trends will be reproduced in the future.

Reconciliation of Adjusted EBITDA

The following table reconciles net earnings (loss) to Adjusted EBITDA for the three months ended December 31, 2022, and 2021, and the years ended December 31, 2022, 2021, and 2020:

	Three months ended December 31,		Year ended December 31,		
	2022	2021	**2022**	2021	2020
	(in thousands)		(in thousands)		
Revenue	**$46,769**	$22,870	**$139,914**	$57,710	$23,423
Net earnings (loss)	**$(4,638)**	$28,266	**$17,776**	$(43,325)	$(97,352)
Finance costs	**$(891)**	$1,194	**$955**	$8,332	$8,667
Depreciation and amortization	**$3,724**	$1,643	**$11,492**	$5,260	$2,696
Share-based compensation[(1)]	**$2,522**	$5,080	**$12,362**	$71,081	$65,249
Change in fair value of share warrant obligations[(2)]	**$(15,434)**	$(46,587)	**$(101,468)**	$(85,796)	$16,847
Foreign exchange loss (gain([(3)]	**$559**	$2,337	**$1,973**	$1,037	$(681)
Transaction and other non-recurring expenses[(4)]	**$245**	$616	**$2,140**	$15,815	$233
Income taxes	**–**	–	**–**	–	–
Adjusted EBITDA	**$(13,915)**	$(7,453)	**$(54,770)**	$(27,596)	$(4,340)

(1) Represents non-cash expenses recognized in connection with the issuance and revaluation to fair value of stock options issued to participants under Lion's stock option plan as described in note 15 to the annual audited consolidated financial statements as at and for years ended December 31, 2022 and 2021.
(2) Represents non-cash change in the fair value of the share warrant obligations as described in note 13 to the annual audited consolidated financial statements as at and for years ended December 31, 2022 and 2021.
(3) Represents non-cash losses (gains) relating to foreign exchange translation.
(4) For the year ended December 31, 2022, represents professional fees related mostly to supply chain and process optimization initiatives. For the year ended December 31, 2021, represents transaction costs related to the Business Combination which was completed on May 6, 2021, as described in note 4 to the annual audited consolidated financial statements, professional fees related to financing transactions, and other non-recurring professional fees. For the year ended December 31, 2020, represents professional fees related to financing transactions and other non-recurring professional fees.

14.0 Financial Position

The following table sets out selected information related to the financial position of Lion as of December 31, 2022 and 2021 as well as explanations for variations:

dollar amounts in thousands	**Dec 31, 2022**	Dec 31, 2021	Variation	Explanation of Variation
	$	$		
Cash	**88,267**	241,702	(153,435)	See section 16.0 of this MD&A entitled "Liquidity and Capital Resources"
Inventories	**167,192**	115,979	51,213	Mainly due to higher volumes of raw materials, work in process, and finished goods inventories in line with the Company's ramp-up of manufacturing activities
Accounts receivable	**62,972**	37,899	25,072	Increase is mainly due to higher sales volumes in fiscal 2022 as compared to fiscal 2021
Current assets	**323,498**	400,227	(76,729)	Mainly due to lower cash and cash equivalents offset by increases in inventories and accounts receivable as explained above
Property, plant and equipment	**160,756**	32,668	128,088	Mainly due to spending related to the Joliet Facility and Lion Campus projects, see section 8.0 of this MD&A entitled “Operational Highlights”
Right-of-use assets	**60,508**	60,902	(394)	Mainly due to the addition related to the Lion Campus land leases, almost entirely offset by depreciation
Intangible assets	**151,364**	81,900	69,464	Mainly due to development costs capitalized related to enhancing existing vehicles and features, developing additional purpose-built electric vehicle platforms and continuing to develop battery systems
Total assets[1]	**710,411**	590,604	119,807	Mainly due to factors explained above
Trade and other payables	**75,857**	40,410	35,447	Mainly due to the increase in purchases of raw materials, property, plant and equipment, and intangible assets
Current liabilities	**81,092**	58,116	22,975	Mainly due to higher trade and other payables, offset by the repayment of the Previous Finalta Credit Facilities on November 8, 2022 as described in section 16.0 of this MD&A.
Lease liabilities	**58,310**	57,518	792	Mainly due to the addition related to the Lion Campus land leases, almost entirely offset by lease payments
Non-current financial liabilities[2]	**133,892**	106,288	27,604	Mainly due to the issuance of 2022 Warrants, to higher debt outstanding related to borrowings made under the Revolving Credit Agreement, the IQ Loan, the SIF Loan and the Finalta-CDPQ Loan Agreement, partially offset by the market price of Lion equity as compared to the previous valuations of outstanding share warrant obligations.
Non-current liabilities	**192,202**	163,806	28,396	Mainly due to factors explained above
Total liabilities	**273,294**	221,922	51,372	Mainly due to factors explained above
Total shareholders' equity	**437,117**	368,682	68,435	Due to net proceeds from the December 2022 Offering, the issuance of common shares under the ATM Program, share-based compensation expense, foreign currency translation adjustment, and net earnings for the twelve months ended December 31, 2022

(1) Total assets were $127.0 million as at December 31, 2020.
(2) Represents financial liabilities related to long-term debt, convertible debt instruments (for December 31, 2020 only), and share warrant obligations, as reflected in the Company’s audited consolidated financial statements for the years ended December 31, 2022 and 2021. Non-current financial liabilities were $76.4 million as at December 31, 2020.

15.0 Cash Flows

The following table provides a summary of Lion's operating, investing, and financing cash flows for the three months ended December 31, 2022 and 2021, and years ended December 31, 2022, 2021, and 2020:

	(Unaudited)				
	Three months ended		**Years ended**		
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021	December 31, 2020
	(in thousands)		(in thousands)		
Cash flows used in operating activities	**$(30,606)**	$(58,640)	**$(119,553)**	$(130,969)	$(27,058)
Cash flows used in investing activities	**$(57,221)**	$(19,375)	**$(204,607)**	$(62,599)	$(16,794)
Cash flows from financing activities	**$108,852**	$(248)	**$172,802**	$434,697	$44,461
Effect of exchange rate changes on cash held in foreign currency	**$629**	$2,118	**$(2,078)**	$663	$(532)
Net (decrease) increase in cash	**$21,654**	$(76,145)	**$(153,435)**	$241,793	$77
Cash, end of year	**$88,267**	$241,702	**$88,267**	$241,702	$(91)

Cash Flows Used in Operating Activities

For the year ended December 31, 2022, cash flows used in operating activities was $119.6 million, and was composed of Lion's net earnings of $17.8 million driven by the factors discussed in section 13.0 of this MD&A, entitled "Results of Operations,", more than fully offset by net changes in non-cash working capital of $58.5 million, and by net non-cash items of $78.8 million. Non-cash items of $78.8 million was mainly composed of $12.4 million for share-based compensation expense, $11.5 million for depreciation and amortization, and the $101.5 million gain related to the change in fair value of share warrant obligations. The decrease in non-cash working capital was primarily driven by increases in accounts receivable and inventories, partially offset by an increase in trade and other payables.

For the year ended December 31, 2021, cash flows used in operating activities was $131.0 million, and was composed of Lion's net loss of $43.3 million driven by the factors discussed in section 13.0 of this MD&A, entitled "Results of Operations" including $13.7 million of transaction costs, and net changes in non-cash working capital of $83.2 million, partially offset by net non-cash items of $4.5 million. Non-cash items of $4.5 million was mainly composed of $71.1 million for share-based compensation expense, $4.7 million for accretion expense, $5.5 million for depreciation and amortization, and the $85.8 million gain related to the change in fair value of share warrant obligations. The increase in non-cash working capital was primarily driven by increases in inventory, prepaid expenses, and accounts receivable, partially offset by increases in trade and other payables.

Cash Flows Used in Investing Activities

Cash flows used in investing activities primarily relates to capitalized development costs for vehicles and battery systems, capital expenditures for equipment and machinery, leasehold improvements, and office furniture as Lion continues to invest in its business infrastructure and scales its manufacturing operations.

For the year ended December 31, 2022, cash flows used in investing activities related to capital expenditures of $129.6 million and the addition of intangible assets of $78.3 million, partially offset by government assistance related to the acquisition of property, plant and equipment and intangible assets of $3.2 million (related to the SIF loan). Capital expenditures for the year ended December 31, 2022 related primarily to the Joliet Facility and Lion Campus, as well as the ramp-up of its current manufacturing operations. The majority of the additions to intangible assets were related to capitalized development costs for vehicles and battery systems. Acquisitions of property, plant and equipment of $16.2 million and of intangible assets of $4.8 million were included in trade and other payables as at December 31, 2022.

For the year ended December 31, 2021, cash flows used in investing activities related to the addition of intangible assets of $45.0 million and capital expenditures of $19.8 million, partially offset by government assistance related to the acquisition of intangible assets of $2.2 million. The majority of the additions to intangible assets were related to capitalized development costs for vehicles and battery systems. Capital expenditures for the year ended December 31, 2021 relate primarily to the Joliet Facility and Lion Campus, as well as the ramp-up of its current manufacturing operations. Acquisitions of property, plant and equipment of $8.8 million and of intangible assets of $0.6 million were included in trade and other payables as at December 31, 2021.

Cash Flows from Financing Activities

Cash flows from financing activities were $172.8 million for the year ended December 31, 2022 and was primarily due to net proceeds relating to the December 2022 Offering of $47.2 million, borrowings made under the Revolving Credit Agreement in the amount of $71.9 million, and borrowings made under the IQ Loan and the SIF Loan in the aggregate amount of $16.6 million (net of $3.2 million recorded as a government grant related to investments at the Lion Campus), borrowings made under the Finalta-CDPQ Loan Agreement of $22.2 million, and net proceeds from the issuance of common shares under the Company's ATM program of $29.4 million, partially offset by the repayment of the Previous Finalta Credit Facilities (as defined below) in the amount of $9.8 million, and repayment of lease liabilities of $5.0 million. See section 16.0 entitled "Liquidity and Capital Resources".

Cash flows from financing activities were $434.7 million for the year ended December 31, 2021 and was primarily due to proceeds relating to the closing of the Business Combination and the concurrent equity private placement on May 6, 2021, totaling $504.5 million, partially offset by net debt payments of $68.8 million and the repayment of lease liabilities of $2.1 million.

16.0 Liquidity and Capital Resources

Liquidity and Capital Management

As of December 31, 2022, Lion had a cash balance of $88.3 million ($241.7 million as at December 31, 2021). Lion incurred an operating loss of $80.8 million for the year ended December 31, 2022, of which $12.4 million related to non-cash share-based compensation, and an operating loss of $119.8 million for the year ended December 31, 2021, of which $71.1 million related to non-cash share-based compensation. Further, the Company had negative cash flows from operating activities of $119.6 million and of $131.0 million in each of the years ended December 31, 2022 and 2021. These operating losses and negative cash flows were mainly the result of the substantial investments made by the Company to grow its business and scale its manufacturing operations. Based on the foregoing and its growth strategy, the Company expects to continue to make significant expenditures to expand the Company’s business and scale its manufacturing operations in the future. As a result, the Company may continue to incur operating losses and have negative cash flows in the short term, as it continues to execute on its growth strategy and it scales its manufacturing operations to meet anticipated demand, makes progress with the establishment of operations and ramp-up of manufacturing capacity at the Joliet Facility and the Lion Campus, purchases additional property and equipment, and continues the optimization and development of its product offering.

Lion’s primary sources of liquidity used in the funding of its operations and the execution of its growth strategy (which includes the establishment of operations and ramp-up of manufacturing capacity at the Joliet Facility and Lion Campus) are currently its cash on hand (including funds raised under the December 2022 Offering and the ATM Program as further discussed in section 17.0 of this MD&A entitled “Use of Proceeds from Public Financings”), cash it generates from the sale of its products and services, funds available under its existing credit facilities and other borrowings and debt capital as described in the section entitled “Capital Resources” below and proceeds from any future sales of securities (including under the ATM Program or any other financing transaction, as applicable). While such sources are expected to be used to fund any future costs associated with the Joliet Facility and Lion Campus, the Lion Campus is also expected to be funded from support available under the existing financing agreement with the Canadian federal government (the SIF Loan) and the existing financing agreement with the Quebec provincial government (the IQ Loan), which, subject to certain conditions, can reimburse eligible expenditures in an aggregate amount of up to approximately C$100 million (amounting to approximately C$50 million each), of which approximately $20 million was used as of December 31, 2022. The Company estimates that an additional amount of approximately $10 million in the aggregate will be advanced under the IQ Loan and SIF Loan for capital expenditures incurred in 2022 on the Lion Campus, subject to meeting the requirements for the related claim process and timing under such instruments.

During fiscal 2022, Lion explored and evaluated different financing alternatives to strengthen its financial position and allow it to continue to pursue its growth strategy, which ultimately resulted in the Company establishing its ATM Program in June 2022 and raising funds under the December 2022 Offering. Lion will continue to closely monitor market conditions and its liquidity and capital requirements and resources in the future. In the short term, Lion currently expects to continue to evaluate and seize opportunities that may become available to it to raise additional capital. Such opportunities may, depending on market conditions and subject to any applicable restrictions contained in the Company’s financing instruments, include the private or public issuance of equity (including under the ATM Program) or other form of equity-related or debt securities or indebtedness. However, there can be no assurance that any such opportunity will be available to the Company when required, or that if such opportunity is available, such capital will be available to Lion on favorable terms or in an amount sufficient to meet Lion's then capital needs. See sections 18.0 and 23.0 of this MD&A entitled “Financial Risk Management—Liquidity Risk” and “Risk Factors”, respectively.

Capital Resources

December 2022 Unit Offering

On December 16, 2022, the Company closed the “December 2022 Offering”, pursuant to which the Company issued 19,685,040 Units at a price of $2.54 per Unit. Each Unit consisted of one Common Share and one 2022 Warrant. Each whole 2022 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 per share for a period of five years ending on December 15, 2027, subject to adjustment in certain customary events. On January 17, 2023, the Company announced full exercise and closing of the underwriters’ over-allotment option, which resulted in the Company issuing and selling to the underwriters 2,952,755 additional Units at a price of $2.54 per Unit. The December 2022 Offering resulted in aggregate gross proceeds to the Company of approximately $57.5 million (or net proceeds of $52.3 million after deducting underwriting commissions of approximately $2.9 million and other offering costs (including legal expenses) relating to the December 2022 Offering. The 2022 Warrants are trading on the NYSE under the symbol “LEV WS.A” and on the TSX under the symbol “LEV.WT.A.”

Please refer to section 17.0 of this MD&A entitled “Use of Proceeds from Public Offerings” for additional details regarding the use of proceeds from the December 2022 Offering.

ATM Program

On June 17, 2022, the Company established an ATM Program that allows the Company to issue and sell, from time to time through a syndicate of agents, newly issued common shares of the Company, for an aggregate offering amount of up to $125 million (or the Canadian dollar equivalent).

During the three months ended December 31, 2022, the Company issued 3,637,967 common shares pursuant to the ATM Program at an average price of $2.95 per share for aggregate gross proceeds of approximately $10.7 million, and for aggregate net proceeds of approximately $10.2 million after the deduction of equity issuance fees of $0.6 million. Equity issuance fees were mainly related to legal costs and net commissions paid to the agents under the ATM program for the three months ended December 31, 2022).

During the year ended December 31, 2022, the Company issued 8,346,789 common shares pursuant to the ATM Program at an average price of $3.74 per share for aggregate gross proceeds of approximately $31.2 million, and for aggregate net proceeds of approximately $29.4 million after the deduction of equity issuance fees of approximately $1.9 million. Equity issuance fees were mainly related to legal costs which includes one-time fees incurred to establish the ATM Program ($1.4 million in the aggregate for the year ended December 31, 2022) and net commissions paid to the agents under the ATM program ($0.5 million for the year ended December 31, 2022). As at December 31, 2022, an aggregate gross sales limit of approximately $94 million remained available for issuance under the ATM program.

Please refer to section 17.0 of this MD&A entitled “Use of Proceeds from Public Offerings” for additional details regarding the use of proceeds from the ATM Program.

Credit Agreement with Banking Syndicate

On August 11, 2021, Lion entered into a new credit agreement with a syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec (the “Revolving Credit Agreement”). The Revolving Credit Agreement was amended on January 25, 2022 to increase the maximum principal amount that may become available from time to time under the revolving credit facility, subject to the borrowing base and compliance with the covenants contained under the Revolving Credit Agreement, from $100,000,000 to $200,000,000. The credit facility under the Revolving Credit Agreement is available for use to finance working capital and for other general corporate purposes, and available to be drawn subject to a borrowing base comprised of eligible accounts (including insured or investment grade accounts) and eligible inventory, in each case, subject to customary eligibility and exclusionary criteria, advance rates and reserves. The Company estimates that as of December 31, 2022, an amount of approximately $90 million was available under the Revolving Credit Agreement based on the borrowing base calculation. The Company expects the amount available for borrowing to continue to increase as it continues to grow its working capital position. The credit facility under the Revolving Credit Facility currently bears interest at a floating rate by reference to the Canadian prime rate or pursuant to banker’s acceptance based on the CDOR rate, if in Canadian dollars, or the U.S. base rate or Term Secured Overnight Financing Rate (SOFR), if in U.S. dollars, as applicable, plus the relevant applicable margin. The Revolving Credit Agreement matures on August 11, 2024. The obligations under the Revolving Credit Agreement are secured by a first priority security interest, hypothec and lien on substantially all of Lion’s and certain of its subsidiaries’ property and assets (subject to certain exceptions and limitations). The Revolving Credit Agreement includes certain customary affirmative covenants, restrictions and negative covenants on Lion’s and its subsidiaries’ activities, subject to certain exceptions, baskets and thresholds. The Revolving Credit Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Finally, the Revolving Credit Agreement also requires Lion to maintain certain financial ratios and namely, an all times tangible net worth test and a springing fixed charge coverage ratio based on a minimum availability test which may, from time to time, impact the maximum amount available under the revolving credit facility. For further details regarding the terms and conditions of the Revolving Credit Agreement, please refer to the copy of the Revolving Credit

Agreement which has been made available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. As at December 31, 2022, $71.9 million was drawn under the Revolving Credit Agreement, at weighted average all-in interest rate of 5.46%.

Financing Agreement with Investissement Quebec

On July 1, 2021, the Company entered into an interest-bearing secured loan agreement with Investissement Quebec (the “IQ Loan”) relating to the construction of the Lion Campus. The IQ Loan provides for financing of up to C$50,000,000, of which up to 30% is expected to be forgiven subject to certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to R&D activities. Funds will be provided to the Company by way of reimbursement of a predetermined percentage of qualified expenditures incurred by the Company, such that the ultimate amount to be received by the Company from Investissement Quebec is dependent upon qualified expenditures being made by the Company in connection with the Lion Campus. The Company will conduct work, incur expenses and fund all costs from its own capital resources, and then submit claims to Investissement Quebec for reimbursement of a predetermined percentage of eligible qualified expenditures up to C$50,000,000. Disbursement by Investissement Quebec is conditional upon, among other things, the Company's compliance with certain affirmative and negative covenants as set out in the IQ Loan, including covenants relating to Company's creation and maintenance of workforce, operations and R&D activities.

The IQ Loan bears interest at a fixed rate of 4.41%, and will be repayable over a ten-year term, beginning in June 2027. The IQ Loan contains certain affirmative and negative covenants, including covenants relating to the Company’s workforce, operations and R&D activities and to the location of its head office in the Province of Quebec, as well as certain financial covenants. The obligations under the IQ Loan are secured by a security interest, hypothec, and lien on substantially all of the Company’s movable property and assets as well as the Company's immovable rights in the Innovation Center located on the Lion Campus (in each case subject to certain exceptions and limitations). As at December 31, 2022, $10.4 million was drawn under the IQ Loan.

Financing Agreement with Strategic Innovation Fund (SIF) of the Government of Canada

On August 19, 2021, the Company entered into an unsecured non-interest bearing loan agreement with the Strategic Innovation Fund of the Government of Canada relating to the construction of the Lion Campus (the “SIF Loan”). The SIF Loan provides for financing of up to C$49,950,000, of which up to 30% is expected to be forgiven subject to certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to R&D activities. Funds will be provided to the Company by way of reimbursement of a predetermined percentage of qualified expenditures incurred by the Company, such that the ultimate amount to be received by the Company from the SIF is dependent upon qualified expenditures being made by the Company in connection with the Lion Campus. The Company will conduct work, incur expenses and fund all costs from its own capital resources, and then submit claims to the SIF for reimbursement of a predetermined percentage of eligible qualified expenditures up to C$49,950,000. Disbursement by the SIF is conditional upon, among other things, the Company's compliance with certain affirmative and negative covenants as set out in the SIF Loan, including covenants relating to Company's creation and maintenance of workforce, operations and R&D activities.

The SIF Loan is repayable over a 15-year term beginning in April 2026. The SIF Loan contains certain affirmative and negative covenants, including relating to the Company’s workforce, operations and R&D activities and to the location of its head office. As at December 31, 2022, $9.4 million was drawn under the SIF Loan, of which $6.2 million is recorded as long-term debt.

Finalta-CDPQ Loan Agreement

On November 8, 2022, Lion entered into the Finalta-CDPQ Loan Agreement with Finalta, as lender and administrative agent, and Caisse de dépôt et placement du Québec (through one of its subsidiaries), as lender, to finance certain refundable tax credits and grants under government programs. The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of C$30 million ($22.2 million) and bears interest at the rate of 10.95% per annum. The obligations thereunder are secured by a first priority security interest, hypothec and lien in certain tax credits and government grants and a subordinate security interest, hypothec and lien in substantially all other movable property and assets. The Finalta-CDPQ Loan Agreement matures on November 6, 2024. The Finalta-CDPQ Loan Agreement includes certain customary restrictions and negative covenants on Lion's and its subsidiaries' activities, subject to certain exceptions, baskets, and thresholds. The Finalta-CDPQ Loan Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Upon the occurrence and during the continuance of an event of default, the lenders would be entitled to demand the immediate repayment of all amounts owing to them under the Finalta-CDPQ Loan Agreement and/or the lenders may exercise their other rights, remedies and/or recourses.

A portion of the advances made under the Finalta-CDPQ Loan Agreement was used to repay in full the Company's previous credit facilities entered into with Finalta on May 6, 2021 (the "Previous Finalta Credit Facilities"), under which approximately $9.8 million was outstanding . All previous hypothecs and other liens relating to the Previous Finalta Credit Facilities were discharged upon repayment thereof. As of December 31, 2022, $22 million (C$30 million) was drawn under the Finalta-CDPQ Loan Agreement.

Equipment Financing

On September 27, 2022, Lion entered into a lease financing agreement with BMO Harris Bank N.A. to finance a portion of the purchase of the Company's automated guided vehicles (AGVs) for the Joliet Facility (the "BMO Equipment Financing Agreement". The lease financing is for a maximum principal amount of $10 million bears interest at a rate of 6.4% per year. It also provides for five-year lease term beginning in 2023 and it includes an early purchase option after year four.

Former Debt Instruments Repaid in Connection with the Business Combination on May 6, 2021

Credit Agreement with National Bank of Canada

On February 25, 2019, Lion entered into a credit agreement with National Bank of Canada which was amended on September 23, 2019, May 15, 2020, August 25, 2020, December 2, 2020, and December 18, 2020 (the "Credit Agreement"). The Credit Agreement provided for the following credit (i) a $27,489,000 (C$35 million) operating revolving facility, (ii) a $35,343,000 (C$45 million) term loan facility, and (iii) a $7,854,000 (C$10 million) additional term loan facility. The operating revolving credit facility included a sub-facility for standby letters of credit with an aggregate cap of $392,700 (C$500,000) (or the equivalent in other approved currencies). In connection with the closing of the Business Combination and PIPE financing, Lion repaid in full all amounts owed under the Credit Agreement, and the Credit Agreement and all security related thereto were terminated.

March 2020 Convertible Loan

In March 2020, Lion completed a financing through the issuance of a convertible loan to Investissement Quebec in the principal amount of $3,741,675 (C$5,000,000). The convertible loan had an initial maturity date of March 3, 2025, and bore interest at an annual rate of 7.5% with the interest payable at the maturity date. In connection with the closing of the Business Combination, the convertible loan was repaid in full.

September 2020 Convertible Debenture

In September 2020, Lion completed a financing through the issuance of a convertible debenture to Investissement Quebec in the principal amount of $15,340,000 (C$20,000,000). The convertible debenture had an initial maturity date of September 1, 2023 and bore interest at a rate of 15% per annum for the first year, and 18% thereafter, subject to the terms and conditions set out therein. In connection with the closing of the Business Combination and PIPE financing, the convertible debenture was repaid in full.

Off-Balance Sheet Arrangements

During the periods presented, Lion did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements.

Maturity analysis of contractual obligations

In the normal course of business, Lion enters into contractual obligations that will require it to disburse cash over future periods. The following table sets forth the contractual undiscounted cash flows and maturity of the Company's significant contractual obligations by period as at December 31, 2022 (amounts in thousands).

	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years
	$	$	$	$	$	$
Trade and other payables	**62,384**	**62,384**	**62,384**	**—**	**—**	**—**
Long-term debt and other debts(1)	**110,673**	**118,341**	**2,450**	**96,150**	**—**	**19,741**
Purchase and other obligations(2)	**—**	**149,591**	**70,524**	**75,155**	**3,440**	**473**
Lease obligations(3)	**63,520**	**89,986**	**8,320**	**15,454**	**16,693**	**49,518**
Total contractual obligations	**236,577**	**420,302**	**143,678**	**186,759**	**20,133**	**69,732**

(1) Represents the amounts outstanding under the Company's long-term debt and other debt (including, as applicable, current portion and interest), and includes, among others, amounts outstanding under the Revolving Credit Facility, the IQ Loan (not taking into account any potential forgiveness), the SIF Loan (not taking into account any potential forgiveness), and the Finalta-CDPQ Loan Agreement.
(2) Represents purchase and other obligations and includes, among others, purchase commitments to third party suppliers related to raw material and components used in the manufacturing of vehicles (including commitments under the Cell Supply Agreement). These agreements are usually entered into before production begins and may specify a fixed or variable quantity of material to be purchased, at a fixed or variable price. Due to the uncertainty as to the amount and pricing of material that may be purchased, the Company is generally not able to determine with precision its commitments in connection with these supply agreements. Figures included above under "Purchase and other obligations" have therefore been estimated by management based on the information available as at December 31, 2022. Amounts also include Lion's obligations under the BMO Equipment Financing Agreement and purchase commitments related to capital expenditures.
(3) Represents lease obligations for the rental of premises and rolling stock and includes, among others, lease obligations under the lease for the Joliet Facility and the Saint-Jerome facility.

Disclosure of Outstanding Share Data

As of March 9, 2023, the Company had the following issued and outstanding shares, warrants, stock options, restricted share units ("RSUs"), and deferred share units ("DSUs"):

- 221,032,717 common shares, which are listed on the TSX and on the NYSE under the symbol LEV;
- 27,111,323 Business Combination Warrants, which are listed on the TSX and on the NYSE under the symbols "LEV.WT" and “LEV WS,” respectively;
- 22,637,795 2022 Warrants, which are listed on the TSX and on the NYSE under the symbols "LEV.WT.A" and “LEV WSA,” respectively;
- the Specified Customer Warrant which, if and when fully vested, will be exercisable for up to 35,350,003 common shares upon an exercise on a cash basis (see section 13.0 of this MD&A, entitled “Components of Results of Operations—Change in Fair Value of Share Warrant Obligations”). The portion of the Specified Customer Warrant which was vested as of March 9, 2023 was exercisable for 5,302,511 common shares;
- stock options to purchase 9,547,185 common shares;
- 297,658 RSUs and 301,091 DSUs, each of which can be settled in cash and/or in common shares purchased on the open market or issued from treasury, at the discretion of Lion’s Board of Directors.

17.0 Use of Proceeds from Public Offerings

The December 2022 Offering resulted in aggregate net proceeds to the Company of approximately $52.3 million ($45.3 million in the three months ended December 31, 2022 and $7 million in January 2023 as a result of the exercise of the over-allotment option which closed on January 17, 2023). In addition, under its ATM Program, the Company raised aggregate net proceeds to the Company of approximately $29.4 million in fiscal 2022, namely $19.2 million in the three months ended September 30, 2022 and $10.2 million in the three months ended December 31, 2022. See “Liquidity and Capital Resources” under section 16.0 of this MD&A entitled “Liquidity and Capital Management.”

As per the disclosure made in the Company’s prospectus supplements dated December 12, 2022 and June 15, 2022, the principal reasons for the sale of securities under the December 2022 Offering and the ATM Program were to increase the Company’s cash balance and financial flexibility, and the net proceeds were intended to be used to strengthen the Company’s financial position, and allow it to continue to pursue its growth strategy, including the Company’s capacity expansion projects in Joliet, Illinois and Mirabel, Quebec.

As of June 30, 2022, Lion had a cash balance of $83.0 million. As of September 30, 2022, Lion had a cash balance of $66.6 million, representing a decrease of approximately $16.4 million when compared to June 30, 2022. As of December 31, 2022, Lion had a cash balance of $88.3 million, representing an increase of approximately $21.7 million when compared to September 30, 2022. In addition to proceeds from the December 2022 Offering and the ATM Program, the Company also had, for such periods, various other sources of liquidity, including cash it generated from the sale of its products and services. During the three months ended September 30, 2022 and December 31, 2022, the Company generated revenue of $46.8 million and $41.0 million, respectively. During the three months ended September 30, 2022 and December 31, 2022, the Company also incurred an operating loss of approximately $21.2 million and $20.4 million, respectively.

During the three months ended September 30, 2022, the Company incurred approximately $17 million and $11 million in connection with the construction and establishment of manufacturing operations at the Joliet Facility and Lion Campus, respectively. During the same quarter, the Company drew $2.5 million and $4.8 million under the IQ Loan and SIF Loan, respectively, to reimburse eligible expenses made in connection with the construction and establishment of manufacturing operations at the Lion Campus. During the three months ended December 31, 2022, the Company incurred approximately $19 million and $21 million in connection with the construction and establishment of manufacturing operations at the Joliet Facility and Lion Campus, respectively. During the quarter, the Company drew $4.3 million and $4.5 million under the IQ Loan and SIF Loan, respectively, to reimburse eligible expenses made in connection with the construction and establishment of manufacturing operations at Lion Campus. See

section 8.0 of this MD&A entitled “Operational Highlights” for more information on the Joliet Facility and Lion Campus, including capital expenditures incurred to date.

Based on the foregoing, no changes were made to the intended use of the net proceeds from the December 2022 Offering and the ATM Program described in the Company’s prospectus supplements dated December 12, 2022 and June 15, 2022, and all of the net proceeds were deployed in accordance with such intended use.

18.0 Financial Risk Management

Lion's financial instruments, divided into financial assets and financial liabilities, are measured at the end of each period at fair value or amortized costs using the effective interest method depending on their classification determined by IFRS. By nature, financial liabilities are exposed to liquidity risk whereas financial assets are exposed to credit risk. Additionally, Lion's financial instruments and transactions could be exposed to currency and interest rate risk. While Lion may enter into hedging contracts from time to time to reduce exposure to certain of these risks, any change in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. Lion does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. Furthermore, Lion does not currently have foreign-exchange hedging contracts in place with respect to all currencies in which it does business.

Liquidity Risk

Liquidity risk is the risk that Lion might be unable to meet its obligations related to its financial liabilities. During fiscal 2022, Lion explored and evaluated different financing alternatives to strengthen its financial position and allow it to continue to pursue its growth strategy, which ultimately resulted in the Company establishing its ATM Program in June 2022 and raising funds under the December 2022 Offering. Lion will continue to closely monitor market conditions and its liquidity and capital requirements and resources in the future. In the short term, Lion currently expects to continue to evaluate and seize opportunities that become available to it to raise additional capital. Such opportunities may, depending on market conditions and subject to any applicable restrictions contained in the Company’s financing instruments, include the private or public issuance of equity (including under the ATM Program) or other form of equity-related or debt securities or indebtedness. Lion’s ability to access additional capital in the future when needed is not assured and, if capital is not available to Lion when and in the amounts needed, Lion could be required to delay, scale back or abandon all or part of its growth strategy, including additions to its current manufacturing facility in Saint-Jerome, as well as the expenditures relating to its expansion projects, including the Joliet Facility and Lion Campus. See sections 16.0 and 23.0 of this MD&A entitled “Liquidity and Capital Resources” and “Risk Factors,” respectively.

Credit Risk

Lion is exposed to credit risk by granting receivables to its customers. With respect to customers, Lion’s maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on the consolidated statement of financial position. Lion continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Lion’s policy is to deal only with creditworthy counterparties. Lion’s management considers that all the financial assets that are not impaired or past due are of good credit quality. Lion has not experienced material credit losses to date.

Currency Risk

While Lion presents its financial statements in U.S. dollars, its functional currency is the Canadian dollar and the majority of Lion's transactions are in Canadian dollars. Lion is exposed to currency risk due to cash, trade and other receivables, borrowings, warrant liabilities, and trade and other payables denominated in a foreign currency, being primarily the U.S. dollar.

Interest Rate Risk

Lion is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates as described in section 16.0 of this MD&A entitled "Liquidity and Capital Resources - Capital Reserves."

19.0 Accounting Policies, Accounting Estimates and Judgments, and New Accounting Standards Not Yet Applied

Lion's significant accounting policies are described in Note 3 to its annual audited consolidated financial statements for the year ended December 31, 2022. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant Management Judgments in Applying Accounting Policies

The following are significant 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:

- Accounting treatment of business combination
- Capitalization of internally developed intangible assets; and
- Recognition of deferred tax assets.

Key Sources of Estimation Uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities are as follows:

- Tax credits receivable;
- Impairment of non-financial assets;
- Leases;
- Useful lives of depreciable assets;
- Inventories; and
- Fair value measurement of share-based compensation and share warrant obligations.

For a more detailed discussion on these areas requiring the use of management estimates and judgments, please refer to Note 3 to Lion's annual audited consolidated financial statements for the year ended December 31, 2022.

New Accounting Standards Not Yet Applied

Amendments to IAS 1, Presentation of Financial Statements

On July 14, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and will be required to be applied retrospectively. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 1, Presentation of Financial Statements an IFRS Practice Statement 2, Making Materiality Judgement

On February 11, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgement, to provide guidance in determining which accounting policy to disclose. The amendments require entities to disclose material accounting policies rather than significant policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In assessing the materiality of accounting policy information, entities need to consider both size of the transaction, other events or conditions and the nature of them, even if the related amounts are immaterial. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and will be required to be applied prospectively. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 8, Accounting Policies, Change in Accounting Estimates and Errors

On February 11, 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how to distinguish change in accounting policies, which must be applied retrospectively, from change in accounting estimate, which are accounted for prospectively. The amendments clarify the definition of accounting estimates as "monetary amounts in the financial statements that are subject to measurement uncertainty". The amendments clarifies that a change in accounting estimate is a change in input or a change in a measurement technique used to develop an accounting estimate, if they do not result in the correction of a prior period error. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on of after the start of that period. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 12, Income Taxes

On May 6, 2021, the IASB released Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12). The amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The objective of this amendment is to narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12, so that it would not apply to transactions that give rise to both taxable

and deductible temporary differences, to the extent the amounts recognized for the temporary differences are the same. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IFRS 16, Leases

On September 22, 2022, the IASB issued an amendment to IFRS 16, Leases to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments will become effective for annual reporting periods beginning on or after January 1, 2024 and will be applied retrospectively. Earlier application is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

At the date of authorization of these consolidated financial statements, several other new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

20.0 Emerging Growth Company Status

As defined in Section 102(b)(1) of the JOBS Act, Lion is as an emerging growth company ("EGC"). As such, Lion is eligible for and relies on certain exemptions and reduced reporting requirements provided by the JOBS Act, including the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act and the exemption from certain more stringent executive compensation disclosure rules.

Lion will remain an EGC under the JOBS Act until the earliest of (i) the last day of the fiscal year in which it has total annual gross revenue of $1.07 billion or more during such fiscal year (as indexed for inflation), (ii) the date on which it has issued more than $1 billion in non-convertible debt in the prior three-year period, (iii) the last day of the fiscal year following the fifth anniversary of the date of the closing of the Business Combination or (iv) when it has qualified as a "large accelerated filer," which refers to when it (1) has an aggregate worldwide market value of voting and non-voting shares of common equity securities held by non-affiliates of $700 million or more, as of the last business day of its most recently completed second fiscal quarter, (2) has been subject to the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a period of at least twelve calendar months, (3) has filed at least one annual report pursuant to Section 13(a) or 15(d) of the Exchange Act, and (4) is not eligible to use the requirements for "smaller reporting companies," as defined in the Exchange Act.

21.0 Internal Control over Financial Reporting

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Founder and Executive Vice-President and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2022, the end of the periods covered by this MD&A. Based on this evaluation, the Company's Chief Executive Officer and

Founder and Executive Vice-President and Chief Financial Officer have concluded that as of December 31, 2022, the end of the periods covered by this report, the Company's disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the issuer 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 an issuer is accumulated and communicated to the issuer’s management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Management’s Assessment on Internal Control over Financial Reporting

The Company's management, under the supervision and with the participation of its Chief Executive Officer and Founder and its Executive Vice President and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13(a)-15(f) and 15(d)-15(f) under the U.S. Securities Exchange Act of 1934 and under National Instrument 52-109.

Internal control over financial reporting refers to a process designed by, or under the supervision of, an issuer’s certifying officers, and effected by the issuer’s board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that the Company's receipts and expenditures are being made only in accordance with authorization of the Company's management and directors; 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 annual financial statements or interim financial reports.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. As a result, due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Company's Chief Executive Officer and Founder and its Executive Vice President and Chief Financial Officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2022, based on the framework set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation under this framework, management, including the Company's Chief Executive Officer and Founder and its Executive Vice President and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2022.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of the Company's Chief Executive Officer and Founder and its Executive Vice President and Chief Financial Officer, management has determined that

there have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

22.0 Foreign Private Issuer Status

Lion qualifies as a “foreign private issuer” as defined under SEC rules. As long as Lion continues to qualify as a foreign private issuer under SEC rules (even if Lion no longer qualifies as an EGC), Lion will be exempt from certain SEC rules that are applicable to U.S. domestic public companies, including:

- the rules requiring domestic filers to issue financial statements prepared under U.S. GAAP;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial statements and other specified information, and current reports on Form 8-K upon the occurrence of specified significant events; and
- the selective disclosure rules by issuers of material non-public information under Regulation FD.

Lion may take advantage of these exemptions until such time as Lion no longer qualifies as a foreign private issuer. Lion would cease to be a foreign private issuer at such time as more than 50% of its outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of its executive officers or directors are U.S. citizens or residents, (ii) more than 50% of its assets are located in the United States or (iii) its business is administered principally in the United States.

Foreign private issuers also are exempt from certain more stringent executive compensation disclosure rules. In addition, because Lion qualifies as a foreign private issuer under SEC rules, Lion is permitted to follow the corporate governance practices of Canada (the jurisdiction in which Lion is organized) in lieu of certain NYSE corporate governance requirements that would otherwise be applicable to Lion, including with respect to certain independence criteria as well as the composition of board committees.

23.0 Risk Factors

In addition to the risks previously described in this MD&A, including under the sections “Financial Risk Management”, and “Accounting Estimates and Judgments,” this section describes the principal risks and challenges that could have a material and adverse effect on Lion's business, results of operations or financial condition, and consequently the trading price of its common shares, and that could cause actual results to differ materially from underlying forward-looking statements included in this MD&A. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial may also materially and adversely affect its financial condition, results of operations, cash flows, or business.

Lion’s success will depend on its ability to economically develop, manufacture, market and sell its vehicles at scale and meet its customers’ business needs.

Lion’s business depends in large part on its ability to economically develop, manufacture, market and sell its vehicles at sufficient capacity to meet the transportation demands of its customers. Lion is currently working to scale its manufacturing capacity in order to successfully implement its growth strategy, by, amongst other things, continuing to ramp-up its Saint-Jerome facility as well as establishing manufacturing operations and ramping-up production at the Joliet Facility and the Lion Campus. Although Lion has experience in developing and manufacturing buses and trucks from its existing facility, such operations are currently conducted on a lower scale, and Lion has limited experience to date in high

volume manufacturing of its vehicles. Lion does not know whether it will be able to develop efficient, automated, low-cost manufacturing capabilities and processes, or whether it will be able to secure reliable sources of component supply, in each case that will enable it to meet the quality, price, engineering, design, and production standards, as well as the production volumes, required to successfully mass market its vehicles and meet its business objectives and customer needs. Further, Lion has limited experience to date with developing and implementing manufacturing innovations outside of its Saint-Jerome facility. Even if Lion is successful in developing high-volume manufacturing capability and processes and can reliably source component supplies in sufficient volume, it does not know whether it will be able to do so in a manner that avoids significant delays and cost overruns, including as a result of factors beyond its control such as problems with suppliers or disruptions in the global supply chain, or in time to meet the commercialization schedules of future vehicles or specialized applications or to satisfy the requirements of its customers.

The execution of Lion's growth strategy and scaling of its manufacturing operations, including establishing manufacturing operations and ramping-up production capacity at the Joliet Facility and the Lion Campus, is capital-intensive, and Lion has incurred and expects to continue to incur in the future significant capital expenditures in connection therewith. This may result in both short-term and long-term costs to Lion. In addition, Lion's operations, which involve the development, design, manufacturing, sale and servicing of all electric-vehicles, are capital-intensive in nature, which may impact Lion's ability to effectively reduce its cost structure over time. In addition, Lion's ability to effectively reduce its cost structure over time is limited by the fixed nature of many of its planned expenses in the near-term, and its ability to reduce or defer certain long-term expenses is constrained by its need to continue investment in its growth strategy. Lion cannot provide any assurance that it will realize, in full or in part, the anticipated benefits it expects to generate from its growth strategy, including as it relates to the Joliet Facility and the Lion Campus. Failure to realize or efficiently manage any of the above or otherwise execute on its growth strategy, or Lion's inability to enhance and scale its manufacturing capabilities and processes in accordance with its projected costs and timelines, could have a material adverse effect on Lion's business, results of operations or financial condition.

Even if it can achieve the above benefits and successfully implement its growth strategy, any failure to manage its growth effectively could materially and adversely affect Lion's business, results of operations or financial condition. Lion intends to expand its operations significantly, which will require it to hire and train new employees across all divisions; accurately forecast supply and demand, production and revenue; control expenses and investments in anticipation of expanded operations; establish new or expand current design, production, and sales and service facilities; and enhance administrative infrastructure, systems and processes. Failure to efficiently manage any of the above could have a material adverse effect on Lion's business, results of operations or financial condition.

Lion's ability to execute its growth strategy and scale its manufacturing operations will depend on its ability to ramp-up its production capacity at its Saint-Jerome manufacturing facility and establish manufacturing operations and ramp-up production capacity at the Joliet Facility and Lion Campus. Failure to increase manufacturing capacity and efficiency could have a material adverse effect on Lion's business, results of operations or financial condition.

Although Lion's existing Saint-Jerome, Quebec, manufacturing facility is able to satisfy Lion's current manufacturing requirements, Lion may be unable to expand its business, satisfy demand from its current and new customers, maintain its competitive position and improve profitability if it is unable to significantly increase manufacturing capacity and efficiency. Establishing manufacturing operations and ramping-up production at the Joliet Facility and the Lion Campus requires significant cash and management resources and may not meet Lion's expectations with respect to increasing current capacity, efficiency and satisfying additional demand. For example, if there are delays in the Joliet Facility and/or the Lion Campus becoming fully operational or achieving target yields and output, Lion may not meet its target for adding capacity, which would limit its ability to increase sales and result in lower than expected sales and higher than expected costs and expenses. In addition, while Lion does not currently expect that any substantial capital expenditure will be required to achieve the estimated potential maximum annual

capacity of 2,500 vehicles at its Saint-Jerome facility, as increase in production could be achieved through additional workforce and certain optimization of production lines to take into account production ramp-up and increased output, the Company has not produced at such level to date and there is no assurance the Company will be able to do so in the short term or at all.

With respect to the Joliet Facility and Lion Campus, the Company expects to focus on building the production line for Lion buses at the Joliet Facility during fiscal 2023 with the goal of having the infrastructure in place to bring its production capacity to up to 2,500 buses on an annual basis by the end of the year, and the Company expects to focus on achieving and ramping-up commercial production of battery modules and packs at the Lion Campus with the goal of bringing its production capacity to up to 1.7 GWh on an annual basis by the end of fiscal 2023. However, this will require significant capital expenditures, time and efforts and there is no assurance that Lion will attain such objectives at a reasonable price and on a timely basis. Further, the cadence of the Company's investments relating to the Joliet Facility and Lion Campus has been and will continue to be reassessed by management on a continuous basis depending upon, among other things, prevailing economic conditions, the demand environment for the Company's products as well the Company's liquidity profile, and there can be no assurance that the Company will not change its plans with respect to the Joliet Facility and/or the Lion Campus during fiscal 2023 or after, which could impact capital expenditures and timelines for those projects which, in turn, could delay or prevent Lion in meeting its target for adding capacity and limit Lion's ability to increase sales. Failure to increase manufacturing capacity or otherwise satisfy customers' demands may result in a loss of market share to competitors, damage Lion's relationships with its key customers, a loss of business opportunities or otherwise materially adversely affect its business, results of operations or financial condition.

The unavailability, reduction, delay in processing, discriminatory application or elimination of governmental programs, subsidies or incentives due to policy changes, government regulation or otherwise, could result in the cancellation of certain orders for Lion vehicles or have a material adverse effect on Lion's business, results of operations or financial condition.

Demand for Lion's vehicles is currently highly influenced by federal, state, provincial and local tax credits, rebates, grants and other government programs, subsidies and incentives that promote the use of battery electric vehicles. Any unavailability, reduction, delay in processing, discriminatory application or elimination of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of the electric vehicle industry or other reasons may result in the diminished competitiveness of the electric vehicle industry generally or Lion's vehicles. While certain subsidies, rebate vouchers, tax credits and other incentives for electric vehicles have been available in the past, there is no guarantee these incentives will be available in respect of Lion's vehicles or otherwise to Lion's customers in the future, on the same terms and conditions or at all. The unavailability, reduction, discriminatory application or elimination of current governmental programs, subsidies or incentives could significantly affect Lion's ability to market or sell its products or materially adversely affect Lion's business, results of operations or financial condition.

In addition, substantially all of the vehicle orders included in Lion's order book[4] are subject to the granting of governmental subsidies and incentives, including programs in respect of which applications relating to vehicles of Lion have not yet been fully processed to date. As a result, the Company's ability to convert its order book into actual sales is highly dependent on the granting and timing of governmental subsidies and incentives, most notably subsidies and incentives under the Quebec government's 2030 Plan for a Green Economy, the Federal's Infrastructure Canada's Zero-Emission Transit Fund (ZETF), the Government of Canada Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV) Program, the U.S. Environmental Protection Agency Clean School Bus Program and California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). The processing times of such governmental subsidies and incentives are subject to important variations, which Lion has no control over. Approxima

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[4] See section 10.0 of this MD&A entitled "Order Book" for a full description of the methodology used by the Company in connection with the order book.

tely half of the vehicles included in the order book are contingent upon grants under the ZETF, in respect of which applications relating to vehicles of Lion have not yet been fully processed to date and December 31, 2025 is the latest date by which claims are required to be made according to the current eligibility criteria of the program, unless otherwise agreed by Infrastructure Canada. Any termination, modification, delay or suspension of any governmental subsidies and incentives, including, most importantly as of the date hereof, the ZETF or the Quebec Green Economy Plan, could result in delayed deliveries or the cancellation of all or any portion of orders or negatively impact demand for Lion's vehicles, which, in turn, could have a material and adverse effect on the Company's business, results of operations or financial condition.

Additionally, demand for Lion's vehicles may be influenced by laws, rules, regulations and programs that require reductions in carbon emissions, such as the various measures implemented by lawmakers and regulators in California and Quebec, among others, designed to increase the use of electric and other zero-emission vehicles, including the establishment of firm goals in certain instances for the number of these vehicles operating on state roads by specified dates and the enactment of various laws and other programs in support of these goals. These programs and regulations, which have the effect of encouraging the use of battery electric vehicles, could expire or be repealed or amended for a variety of reasons. For example, parties with an interest in gasoline and diesel, hydrogen or other alternative vehicles or vehicle fuels, including lawmakers, regulators, policymakers, environmental or advocacy organizations, OEMs, trade groups, suppliers or other groups, may invest significant time and money in efforts to delay, repeal or otherwise negatively influence regulations and programs that promote the use of battery electric vehicles. Many of these parties have substantially greater resources and influence than Lion has. Further, changes in federal, state, provincial or local political, social or economic conditions, including a lack of legislative focus on these programs and regulations, could result in their modification, delayed adoption or repeal. Any failure to adopt, delay in implementation, expiration, repeal or modification of these programs and regulations, or the adoption of any programs or regulations that encourage the use of other alternative fuels or alternative vehicles over battery electric vehicles, would reduce the market for battery electric vehicles and could materially adversely affect Lion's business, results of operations or financial condition.

Lion's inability to obtain or agree on acceptable terms and conditions for all or a significant portion of the government grants, loans or other incentives for which it may apply could have a material adverse effect on its business, results of operations or financial condition.

Lion has applied, and expects in the future to apply, for federal, state and provincial grants, loans and tax incentives under government programs designed to stimulate the economy and support the production of battery electric vehicles and related technologies. Lion anticipates that in the future there will be new opportunities to apply for grants, loans and other incentives from federal, state, provincial and foreign governments. Lion's ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of Lion's applications to participate in such programs. Lion cannot assure that it will be successful in obtaining any of these additional grants, loans and other incentives, and Lion's inability to obtain or agree on acceptable terms and conditions for all or a significant portion of the government grants, loans and other incentives for which it may apply could have a material adverse effect on its business, results of operations or financial condition.

Lion may in the future need to raise additional funds to meet its capital requirements and pursue its growth strategy, and such funds may not be available to Lion on commercially reasonable terms or at all when it needs them, which could materially adversely affect Lion's business, results of operations or financial condition.

As of December 31, 2022, Lion had a cash balance of $88.3 million ($241.7 million as at December 31, 2021). The development, design, manufacturing, sale and servicing of Lion's battery electric vehicles is capital-intensive. In addition, the Company's growth strategy, including the establishment of manufacturing operations at the Joliet Facility and the Lion Campus, as well as the ramp-up in production

capacity and hires, require significant cash. As indicated in section 8.0 of this MD&A entitled “Operational Highlights”, the cadence of the Company’s investments relating to the Joliet Facility and the Lion Campus has been and will continue to be reassessed by management on a continuous basis depending upon, among other things, prevailing economic conditions, the demand environment for the Company’s products as well the Company’s liquidity profile. However, Lion’s business and growth strategy are capital-intensive, and Lion’s ability to reduce or defer certain long-term expenses is constrained by its need to continue investment in its growth strategy, such that the specific timing of cash inflows and outflows may fluctuate substantially from period to period. As a result of the foregoing, Lion may in the future need to raise additional funds.

In the short-term, Lion currently expects to continue to evaluate and seize opportunities that become available to it to raise additional capital. Such opportunities may, depending on market conditions and subject to any applicable restrictions contained in the Company’s financing instruments, include the private or public issuance of equity (including under Lion’s ATM Program) or other form of equity-related or debt securities or through obtaining credit from government or financial institutions. The availability of additional funds to Lion will depend on a variety of factors, some of which are outside of its control. Additional funds may not be available to Lion on commercially reasonable terms or at all when it needs them. As such, Lion’s ability to access additional capital in the future when needed is not assured and, if capital is not available to Lion when and in the amounts needed, Lion could be required to delay, scale back or abandon all or part of its growth strategy, including additions to its current manufacturing facility in Saint-Jerome, as well as the expenditures relating to its expansion projects, including the Joliet Facility and Lion Campus, which could materially adversely affect its business, results of operations or financial condition.

In addition, management retains broad discretion in the application of the available funds, and shareholders of Lion will be relying on management’s judgment regarding such application. If additional funds are raised by issuing equity securities, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common shares, Lion’s existing shareholders may incur dilution and the market price of Lion’s common shares could decline.

Lion has a history of losses and negative cash flows from operating activities and there is no guarantee it will achieve or sustain profitability.

Lion incurred an operating loss of approximately $81 million for the year ended December 31, 2022, and approximately $120 million for the year ended December 31, 2021. Further, Lion had negative cash flows from operating activities of approximately $120 million for the year ended December 31, 2022, and approximately $131 million for the year ended December 31, 2021. These operating losses and negative cash flows were mainly the result of the substantial investments Lion made to grow its business and scale its manufacturing operations. Lion expects to continue to make significant expenditures to expand its business and scale its manufacturing operations in the future, both in the United States and Canada, including in connection with the establishment of manufacturing operations and ramp-up of production capacity at the Joliet Facility and the Lion Campus; the design, development and production of its products; the hire of other employees across all divisions; the purchase of inventories of parts and components for its vehicles, including battery cells, modules and packs; the expansion of its design, development, installation and servicing capabilities, including Lion experience centers; and an increase in its administrative functions to support its growth. Lion also expects to continue spending on technical and other operational enhancements to its business and to continue to invest in development activities as it continues to introduce new products, specialized applications and solutions.

While Lion expects to generate positive cash flows and profitability over time, the aforementioned anticipated expenditures will make it very challenging for Lion to achieve profitability and positive cash flow and Lion cannot guarantee it will achieve either in the near or medium term, or at all. If Lion is unable to generate adequate revenue growth and manage its expenses, it may continue to incur losses and have negative cash flows from operating activities, which could materially adversely affect Lion’s business, results of operations or financial condition. In addition, Lion may make decisions that could reduce its

short-term operating results if it believes those decisions will improve the quality of its products or services or improve its operating results, business or prospects over the long-term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that Lion expects, in which case Lion's business, results of operations or financial condition may be materially and adversely affected.

There is no guarantee that Lion will have sufficient cash flow from its business to pay its indebtedness or that Lion will not incur additional indebtedness.

As of March 9, 2023, Lion had outstanding approximately $88 million in aggregate principal amount of indebtedness. Lion's indebtedness may increase its vulnerability to any generally adverse economic and industry conditions. Lion may, subject to the limitations in the terms of its existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize its debt.

Lion's ability to make scheduled payments of the principal and interest on its indebtedness when due or to refinance its indebtedness as it may need or desire depends on the future performance of the Company, which is subject to economic, financial, competitive and other factors beyond Lion's control as well as the other risks described in this section 23.0 of the MD&A entitled "Risk Factors". Lion's business may not continue to generate cash flow from operations in the future sufficient to satisfy its obligations under its existing indebtedness and any future indebtedness Lion may incur. If Lion is unable to generate such cash flow, Lion may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be highly onerous or dilutive. Lion's ability to refinance existing or future indebtedness will depend on the capital markets and its financial condition at such time. Lion's ability to make payments may be limited by law, by regulatory authority or by agreements governing Lion's current or future indebtedness. Lion may not be able to engage in these activities on desirable terms or at all. In addition, Lion's ability to finance its operations, capital expenditures and working capital needs could be impacted by a rise in interest rates, as any such increase in interest rates would lead to higher costs of borrowing for the Company. Lion may not be able to effectively manage its borrowing costs and may lack alternative sources of funding to mitigate risks associated with a rise in interest rates. Any of the foregoing could materially adversely affect Lion's business, results of operations or financial condition.

Lion is dependent on its manufacturing facilities. If one or more of its current manufacturing facilities becomes inoperable, capacity constrained or if operations are disrupted, Lion's business, results of operations or financial condition could be materially adversely affected.

Lion's business is and will be dependent on the continued operations of its Saint-Jerome, Quebec, manufacturing facility as well as the Joliet Facility and Lion Campus, where the Company is currently establishing manufacturing operations and which will require significant capital expenditures in the future. To the extent that Lion experiences any operational challenges or future risks relating to such facilities, including, among other things, any of its current manufacturing facilities becoming capacity constrained, failures to comply with applicable regulations and standards, fire and explosions, severe weather and natural disasters (such as floods and hurricanes), failures in water supply, major power failures, equipment failures, work stoppages or slowdowns, Lion will be required to make capital expenditures even though it may not have available resources at such time. In addition, manufacturing of Lion's vehicles requires it to store a significant number of lithium-ion cells at its facility. Any mishandling of battery cells may cause disruption to the operation of Lion's facilities. While Lion has implemented safety procedures related to the handling of the cells, a safety issue or fire related to the cells could disrupt Lion's operations. Such damage or injury could lead to adverse publicity, potential safety recalls and materially adversely affect Lion's business, results of operations or financial condition. Additionally, Lion may not be adequately covered by its insurance policies to cover for such disruptions on capital expenditures. As a result, Lion's insurance coverage and available resources may prove to be inadequate for events that may cause significant disruption to its operations. Any disruption in Lion's manufacturing processes could result in delivery delays, scheduling problems, increased costs, or production interruption, which, in turn, may result in its customers deciding to cancel existing orders or purchase

products from its competitors. If one or more of Lion's manufacturing facilities becomes inoperative, capacity constrained or if operations are disrupted, its business, results of operations or financial condition could be materially adversely affected.

Increases in costs, disruption of supply or shortage of raw materials, particularly lithium-ion battery cells and battery modules and packs, could impact Lion's ability to execute its growth strategy or materially adversely affect Lion's business, results of operations or financial condition.

Lion has experienced and may continue to experience increases in the cost or a sustained interruption in the supply or shortage of raw materials, including as a result of the current global supply chain disruptions or other factors which may or may not be specific to Lion. Any such increase in cost or supply interruption or shortage could materially adversely affect Lion's business, results of operations or financial condition. Components in Lion's vehicles are made of various raw materials, and the prices for these raw materials may fluctuate depending on a variety of factors, including market conditions, global supply and demand for these materials, global economic conditions (including as a result of the current inflationary environment) and geopolitical risks, such as the current military conflict between Russia and Ukraine and related sanctions, export controls or other actions that may be initiated by nations, and could materially affect Lion's business, results of operations or financial condition. Although Lion has, in certain cases, entered into long-term contractual arrangements with suppliers with respect to the supply of certain key components of its vehicles, including lithium-ion batteries and cells, Lion is nevertheless exposed to multiple risks relating to such supply, including: the inability or unwillingness of current lithium-ion battery cell manufacturers to build or operate battery cell manufacturing plants to supply the numbers of lithium-ion cells required to support the growth of the electric vehicle industry as demand for such cells increases; disruptions in the supply of cells, modules or packs that could arise due to, among other things, quality issues or recalls by battery cells, modules or packs manufacturers, suppliers favoring larger volume customers over Lion, the acquisition of suppliers by Lion's competitors, any key or other supplier of Lion becoming economically distressed, insolvent or bankrupt; increased regulation of supply chains; and an increase in the cost of raw materials, such as cobalt. Any disruption in the supply of battery cells, modules or packs or other key vehicle components such as motors, fiberglass, composite panels and harnesses could temporarily disrupt production of Lion's vehicles or result in delays in respect of the deliveries of certain orders until a different supplier is identified and fully qualified, which could result in the cancellation of existing orders for its vehicles. Moreover, manufacturers of battery cells, modules or packs or other components may refuse to supply electric vehicle manufacturers if they have concerns about the use of their supplies. Furthermore, various fluctuations in market and economic conditions may cause Lion to experience significant increases in freight charges and raw material costs. Substantial increases in the prices for raw materials would also increase Lion's operating costs and could reduce Lion's margins if the increased costs cannot be recouped through increased vehicle prices. In addition, as pricing of Lion's products is determined at the time an order is passed and generally cannot be subsequently adjusted at the time of delivery and payment to take into account any increase in the price of raw materials, any delay by Lion in producing and delivering vehicles increases Lion's exposure to the risk of an increase in such costs, which increase will ultimately needs to be absorbed by Lion and could reduce Lion's margins.

Lion currently relies on third party battery suppliers to source battery cells, modules and packs that it integrates in its vehicles. In connection with the establishment of its manufacturing operations at the Lion Campus, Lion plans on manufacturing its own battery modules and packs that will integrate 21700 cylindrical battery cells sourced from third party suppliers. Lion intends to continue in certain instances to rely on third-party suppliers for battery packs. By producing battery packs in-house, Lion expects to increase optimization for product design, cost and production efficiency. However, Lion's efforts to develop and manufacture such battery modules and packs have required and may require significant investments and there can be no assurance that Lion will realize, in full or in part, the anticipated benefits it expects to generate from producing battery modules and packs in-house at the Lion Campus. If Lion cannot establish battery manufacturing operations at the Lion Campus and ramp-up production (which will, among others, require Lion to pass all tests and certifications required to produce battery modules

and packs in-house and complete the integration of such battery packs into Lion vehicles), or if it cannot do so in a cost-effective or timely manner, Lion could have to curtail its planned vehicle production or procure additional battery modules and packs from suppliers at potentially greater costs, either of which could materially adversely affect Lion’s business, results of operations or financial condition. In addition, even if Lion can establish battery manufacturing operations at the Lion Campus, failure to meet the quality, engineering, design, and production standards for its proprietary battery modules and packs, as well as the necessary production volumes, could materially adversely affect Lion’s business, results of operations or financial condition.

As previously disclosed, the Company entered into a multi-year supply contract with Romeo in November 2020 pursuant to which the Company has committed to purchase from Romeo, and Romeo has committed to supply to the Company, battery packs, subject to an agreed upon maximum purchase price. To date, the Company has outstanding purchase orders for the purchase of battery packs, and Romeo has failed to comply with its obligations under such orders. The Company believes as of the date hereof that it is unlikely that Romeo will voluntarily comply with its obligations under the contract and outstanding purchase orders. The Company initiated arbitration proceedings in order to enforce the terms and conditions of the contract. As per the terms of the contract, the arbitration proceedings are conducted on a confidential basis. In addition, the Company initiated legal proceedings against Nikola in the beginning of fiscal 2023 on the basis that it intentionally interfered in the Company’s contractual relationship with Romeo and in the Company’s business expectancy with respect to its relationship with Romeo. Battery packs that the Company contracted to purchase from Romeo under the parties’ supply agreement are specifically designed to be mounted on Lion8T vehicles, and the Company has invested significant time and resources, including with respect to R&D, in connection with the development of such battery packs at the price agreed upon. While the Company is looking at alternative supply options that could potentially be available in the long-term if necessary in light of the current situation with Romeo, the Company does not currently have any comparable and readily available alternative supply solution. Any adverse outcome of the arbitration proceedings with Romeo or legal proceedings against Nikola could adversely impact the Company’s manufacturing activities, including the deliveries of Lion8T models. In addition, regardless of the outcome, the arbitration proceedings with Romeo and proceedings against Nikola could be protracted and costly to the Company and cause management to divest time and attention from other aspects of Lion’s business, all of which could, alone or in combination with the impact on the Company's manufacturing operations described above, materially adversely affect Lion’s business, results of operations or financial condition

Lion is dependent on third-party suppliers, some of which are single-source suppliers, and Lion expects to continue to rely on third-party suppliers. The inability of any such supplier to deliver necessary parts or components according to Lion’s schedule and at prices, volumes or quality levels acceptable to it, or the termination or interruption of any supply arrangement could materially adversely affect Lion’s business, results of operations or financial condition.

Each Lion vehicle is designed and assembled in-house, using parts and components sourced from third-party suppliers such that Lion is dependent on its third-party suppliers, some of which are single or limited source suppliers, and such suppliers’ ability to supply and manufacture parts and components included in Lion’s vehicles. Lion expects to continue to rely on third parties to supply and manufacture such parts and components in the future, as well as to maintain and grow its supply chain for its manufacturing operations in both Canada and the United States. While Lion obtains components from multiple sources whenever possible, some of the components used in its vehicles, including certain key battery system components, are purchased from a single source. While Lion believes that it may be able to establish alternate supply relationships and can obtain or potentially engineer replacement components for some of its single source components, it may be unable to do so in the short term or at all, or at prices, volumes or quality levels that are acceptable to it. In addition, the inability of any of Lion’s suppliers to deliver necessary parts or components according to Lion’s schedule and at prices, volumes or quality levels acceptable to Lion, or the termination or interruption of any material supply arrangement could materially adversely affect Lion’s business, results of operations or financial condition. Also, if any of Lion’s suppliers become economically distressed or go bankrupt, or is acquired by a competitor of Lion, Lion may be required to, as applicable, provide substantial financial support or take other measures to

ensure supplies of components or materials, which could increase its costs, affect its liquidity or cause production disruptions, all of which could materially adversely affect Lion's business, results of operations or financial condition.

In addition, Lion operates in multiple jurisdictions is party to certain agreements with suppliers, vendors, and other third parties located in jurisdictions that could impact enforcement of judgments against such third parties. These agreements may contain provisions that limit such third parties' liability, require arbitration or litigation in a specific jurisdiction, or provide for indemnification against certain claims. Any limitation in Lion enforcing its rights of judgments against suppliers or other third parties could materially adversely affect Lion's business, results of operations or financial condition.

Lion may not be able to adequately forecast its inventory and supply requirements, its manufacturing capacity and its profitability under customer orders, which could result in a variety of inefficiencies in its business and hinder its business and could materially adversely affect Lion's business, results of operations or financial condition.

It is difficult to predict Lion's future sales. In addition, the vehicles included in Lion's vehicle order book as of March 9, 2023 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025, and substantially all deliveries were subject to the granting of subsidies and incentives with processing times that are subject to important variations such that there has been in the past and Lion expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times. As a result, it is difficult for Lion to appropriately budget for Lion's expenses, and Lion may have limited insight into trends that may emerge and affect its business. Lion is required to forecast its demand and its deliveries in order to build its inventory and save supply several months prior to the scheduled delivery of products to customers. Currently, there remains limited historical basis for making judgments on future demand and pace of delivery for Lion's vehicles or its ability to mass develop, manufacture and deliver vehicles at scale, or Lion's profitability in the future. If Lion fails to accurately predict its manufacturing requirements, it could incur additional costs or experience delays. If Lion overestimates manufacturing requirements, it or its suppliers may have excess inventory, which indirectly could increase Lion's costs. If Lion underestimates manufacturing requirements, it or its suppliers may have inadequate inventory, which could interrupt manufacturing of Lion's vehicles and result in delays in revenues. In addition, lead times for materials and components that Lion's suppliers order may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If Lion fails to order sufficient quantities of product components in a timely manner, the delivery of vehicles to its customers could be delayed, which could result in the cancellation of existing orders or materially adversely affect its business, results of operations or financial condition.

In addition, the MPA with the Specified Customer requires Lion to reserve necessary manufacturing capacity to deliver up to 500 trucks per year between now and 2025 and the greater of 500 trucks per year or 10% of Lion's manufacturing capacity from 2026 to 2030, which could hinder Lion's ability to capitalize on future business opportunities. While the Specified Customer has placed a limited number of orders to date, any significant order placed by the Specified Customer could potentially disrupt Lion's manufacturing operations and impact the delivery schedule of existing orders. Almost all of Lion's customers operate on a purchase order basis, which means such customers are not required to purchase any specified minimum quantity of vehicles beyond the quantities in an existing purchase order and may in certain circumstances cancel or reschedule purchase orders on relatively short notice, including as a result of the loss or delay in processing of a governmental incentive or subsidy on which an order is conditioned upon, the Company not delivering the vehicle in accordance with the delivery period provided for in the applicable purchase order or otherwise. In additions, delay in the processing of governmental incentives or subsidies have required and may require in the future the Company to reschedule delivery periods under existing purchase orders, which if unsuccessful, can result in the cancellation of orders. Cancellations or a rescheduling of customer orders could result in the delay or loss of anticipated sales without allowing sufficient time to reduce, or delay the incurrence of, corresponding inventory and operating expenses, which could materially adversely affect Lion's business, results of operations or financial condition.

Lion may not succeed in establishing, maintaining and strengthening its brand, which would materially and adversely affect customer acceptance of its vehicles, which could materially adversely affect its business, results of operations or financial condition.

Lion's business heavily depends on its ability to develop, maintain and strengthen the Lion brand. If it is unable to establish, maintain and strengthen its brand, Lion may lose the opportunity to build and maintain a critical mass of customers. Lion's ability to develop, maintain and strengthen the Lion brand will depend heavily on the success of its sales and marketing efforts, and doing so may be challenging due to Lion's limited operating history relative to established competitors, customer unfamiliarity with its products, any delays it may experience in scaling manufacturing, delivery and service operations to meet demand, competition and uncertainty regarding the future of electric vehicles, Lion's production and sales performance compared with market expectations, and other factors including some over which Lion has no control. The all-electric vehicle industry, and the alternative fuel vehicle industry in general, are highly competitive, and Lion may not be successful in building, maintaining and strengthening its brand. Many of Lion's current and potential competitors, particularly manufacturers headquartered in the United States, Japan and the European Union, have greater name recognition, broader customer relationships and substantially greater resources than Lion. Failure to develop and maintain a strong brand would materially and adversely affect customer acceptance of Lion's vehicles, could result in suppliers and other third parties being less likely to invest time and resources in developing business relationships with Lion, and could materially adversely affect Lion's business, results of operations or financial condition.

In addition, Lion's brand is dependent on the performance characteristics of Lion's vehicles, including battery life and range, which may vary or decline over time including due to factors outside of Lion's control. Driver behavior, usage, speed, terrain, time and stress patterns may impact the ability of the batteries incorporated into Lion vehicles' (whether purchased from third party suppliers or produced in-house) to hold a charge, which would decrease Lion's vehicles' range before needing to recharge. Such battery deterioration and the related decrease in range may negatively influence potential customer decisions and Lion's brand, and could materially adversely affect Lion's business, results of operations or financial condition. Lion cannot guarantee that battery life and range deterioration will not be greater than what is currently anticipated. Any battery life and range deterioration greater than what's currently anticipated could harm Lion's reputation and brand, result in customers purchasing vehicles from other manufacturers or in the cancellation of certain orders for Lion vehicles, which could have a material adverse effect on Lion's business, results of operations or financial condition.

Furthermore, Lion's product offering includes certain vehicles for which Lion has substantially completed the development phase but for which commercial production has not commenced, and Lion is also working with third-party suppliers to enable it to offer a variety of vehicle configurations, upfit equipment options and applications, some of which are still in the process of being developed and/or integrated into Lion's vehicles. Vehicle manufacturers often experience, and the Company has in the past experienced delays in the design and launch of new products. Any delay in the financing, design, production and launch of new products, specialized applications or solutions, or in doing so cost-effectively and with high quality, could harm Lion's reputation and brand or materially adversely affect its business, results of operations or financial condition.

Lion's growth will depend on its ability to successfully attract new customers and to retain existing customers. Failure to increase sales to both new and existing customers could have a material adverse effect on Lion's business, results of operations or financial condition.

Lion's success, and its ability to increase revenue and operate profitably, depends in part on its ability to identify new customers and, its ability to retain existing customers, and its ability to meet current and new customers business needs. Failure to achieve any of the foregoing could materially and adversely affect Lion's business, results of operations or financial condition. Lion may fail to attract new customers or retain existing customers, retain revenue from existing customers or increase sales to both new and existing customers as a result of a number of other factors, including:

- reductions in Lion's existing or potential customers' spending levels, including as a result of any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes;
- increases to customer borrowing costs as a result of higher inflation level or an increase in interest rates;
- competitive factors affecting the battery electric vehicles industry, including the introduction of other alternative fuel vehicles or other technologies; discount, pricing and other strategies that may be implemented by its competitors;
- its ability to execute on its growth strategy;
- a decline in its customers' level of satisfaction with its vehicles and services;
- changes in its relationships with third parties, including its suppliers and other partners;
- the timeliness and success of new products it may offer in the future; and
- its focus on long-term value over short-term results, meaning that Lion may make strategic decisions that may not maximize its short-term revenue or profitability if it believes that the decisions are consistent with its vision and will improve its financial performance over the long-term.

The electric vehicle industry is highly competitive and Lion is likely to face competition from a number of sources. Lion may not be successful in competing in this industry, which may materially adversely affect its business, results of operations or financial condition.

The North American medium and heavy-duty urban truck market is highly competitive today and Lion expects it will become even more so in the future. Lion's competition for their trucks comes from manufacturers of purpose-built all-electric vehicles such as Nikola, BYD, and Xos, manufacturers of hybrid/retrofit EVs such as Workhorse, Lightning eMotors, and Hyliion, and manufacturers of trucks with internal combustion engines powered by diesel fuel, which includes Traton, Daimler, Volvo, PACCAR, Hino (Toyota), and other automotive manufacturers. Lion cannot assure that customers will choose its vehicles over those of its competitors' diesel-powered trucks. As of March 9, 2023, few class 5 to 8 electric trucks or battery electric buses are being sold in the United States or Canada. However, Lion expects that an increasing number of competitors will enter the electric truck market within the next several years.

The North American school bus market is mainly concentrated in the hands of three incumbent automotive original equipment manufacturers ("OEMs") selling primarily diesel school buses: Blue Bird Corporation, Thomas Built Buses (Daimler), and IC Bus (Navistar International, subsidiary of Traton). These manufacturers mainly compete with Lion's school buses through their traditional diesel offering but are beginning to rollout electric models. In addition to the incumbent diesel school bus OEMs, a few early-stage EV OEMs have entered in competition with Lion such as Green Power Motor, which offers purpose-built electric Type D school buses, and Trans Tech, which offers retrofit electric Type A school buses. In addition, Proterra offers electric transit buses.

Some of Lion's current and potential competitors may also have greater financial resources, more extensive development, manufacturing, technical, marketing and service capabilities, greater brand, customer and industry recognition, a larger number of managerial and technical personnel or a lower cost of funds than Lion does or other competitive advantages relative to Lion. Many of Lion's current and potential competitors may also be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products.

Lion expects competition in its industry to intensify in the future in light of increased demand for electric and other alternative fuel vehicles and continuing globalization. Factors affecting competition include total cost of ownership, product quality and features, innovation and development time, pricing, availability, reliability, safety, fuel economy, customer service (including breadth of service network) and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect Lion's business, financial

condition and results of operation. There can be no assurances that Lion will be able to compete successfully in the markets in which it operates. If Lion's competitors introduce new vehicles or services that compete with or surpass the quality, price, performance or availability of Lion's vehicles or services, Lion may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow it to generate attractive rates of return on its investment. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could materially adversely affect Lion's business, results of operations or financial condition.

The use of lithium-ion cells may become disfavored as a result of the availability, or perceived superiority of, other types of batteries or technologies, and the occurrence of certain unforeseen events could result in negative public perception of lithium-ion cells.

Lion's vehicles use lithium-ion cells, which Lion believes currently represent the industry standard for battery technology for electric vehicles. It is possible, however, that other types of batteries or technologies may become favored in the future, such as lithium-iron phosphate or hydrogen. While Lion believes that its products and services based on the lithium-ion cells that it has chosen for its vehicles present advantages with respect to ease of integration and underlying performance, it is possible that Lion's customers and partners may deem other technologies as sufficient or superior for their purposes and decide to partner with other manufacturers who employ such technologies. It is possible that the performance, safety features or characteristics, reliability or cost-effectiveness of another form of battery or technology could improve in the future such that the lithium-ion cells used in Lion's vehicles could become, or be perceived as, inferior or obsolete. In the event that a new form of battery or technology emerges or is deemed to exhibit better performance, operate at lower cost or exhibit better safety features, Lion could be compelled to attempt to integrate those new types of batteries into its vehicles, which may not be possible or feasible at a price that could be attractive to its customers. Any developments with respect to new battery technology, or new electrification technologies that are based on unforeseen developments in cell technology, or the perception that they may occur, may prompt the Company to invest heavily in additional research to compete effectively with these advances, which research and development may not be effective. Any failure by Lion to successfully react to changes in existing technologies could materially adversely affect Lion's business, results of operations or financial condition.

In addition, negative public perceptions regarding the suitability of lithium-ion cells for automotive applications, the social and environmental impacts of cobalt mining or any future incident involving lithium-ion cells, such as a vehicle or other fire, even if such incident does not involve Lion's vehicles, could result in negative public perception of lithium-ion cells, which could materially adversely affect Lion's business, results of operations or financial condition. The battery packs within Lion's vehicles use lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While the battery pack is designed to contain any single cell's release of energy without spreading to neighboring cells, a field or testing failure of Lion's vehicles could occur, which could result in bodily injury or death and could subject Lion to lawsuits, product recalls, or redesign efforts, all of which could be time consuming and expensive, and materially adversely affect Lion's business, results of operations or financial condition.

Failure to carry adequate insurance coverage may have a material adverse effect on Lion's business, results of operations or financial condition.

Lion maintains liability insurance, property and business interruption insurance, cargo insurance, cybersecurity insurance, automotive liability insurance and directors and officers insurance, and such insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that Lion's insurance coverage will be sufficient, or that insurance proceeds will be paid to Lion in a timely manner. In addition, there are types of losses Lion may incur but against which it cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war and certain natural disasters. Additionally, manufacturing of Lion's vehicles requires it to store a significant number of lithium-ion cells at its facility, and Lion has and may in the future

have difficulties in obtaining and maintaining insurance policies covering such risk, whether at reasonable costs, on acceptable terms or with adequate coverage or at all. As a result, Lion may also decide not to insure a portion of its battery cells, modules or packs inventory and manage the risk relating to the storage of battery cells, modules or packs differently, such as diversifying storage solutions and locations. If Lion incurs any material losses in connection with the foregoing, its business, results of operations or financial condition could be materially adversely affected. Moreover, Lion may not be able to maintain insurance policies in the future at reasonable costs, on acceptable terms or with adequate coverage for certain specific risks or types of assets, such as batteries, which in turn may adversely affect the Company's business, results of operations or financial condition.

Unfavorable economic conditions may have a material adverse effect on Lion's business, results of operations and financial condition.

Lion's business may be affected by global economic markets and levels of consumer comfort and spend, including recessions, slow economic growth, economic and pricing instability (including the current inflationary environment), increase of interest rates and credit market volatility, all of which could impact demand in the worldwide transportation industries or otherwise have a material adverse effect on Lion's business, operating results and financial condition. In addition, unforeseen events such as the global COVID-19 pandemic and geopolitical conflicts, including the current military conflict between Russia and Ukraine, have resulted and may in the future result in widespread disruptions to economic markets, manufacturing operations, supply chains, employment and consumer behavior or governmental spending (as a result of a reduction or different allocation in spending or otherwise). Lion has already experienced, and may continue to experience, adverse effects as a result of these events, including supply chain disruptions and labor shortages. The impact of these and any future unforeseen events on Lion's business, results of operations and financial condition is yet unknown and varied across geographic regions. Lion's ability to accurately project supply and demand, infrastructure requirements and pace of delivery for Lion's vehicles and allocate resources accordingly is critical. If current global market conditions continue or worsen, including further pandemic-related disruptions, geopolitical conflicts, or other unforeseen events, Lion's business, results of operations and financial condition could be materially adversely affected.

Increased freight and shipping costs or disruptions in transportation and shipping infrastructure could materially adversely impact Lion's business, results of operations or financial condition.

Lion uses external freight shipping and transportation services to transport and deliver its vehicles as well as subcomponents and raw materials incorporated therein. Adverse fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important shipping and delivery points for Lion's products and subcomponents incorporated in Lion's vehicles have affected and could materially adversely affect Lion's business, financial condition and results of operations. For example, over the past years, global supply chain disruptions resulted in delivery delays and increases in transportation costs which negatively affected Lion's sales, cost of sales and gross profits. Any further delivery delays and increases in transportation costs (including through increased fuel costs, increased carrier rates or driver wages as a result of driver shortages, a decrease in transportation capacity, or work stoppages or slowdowns) could significantly decrease Lion's ability to make sales and earn profits. Labor shortages or work stoppages in the transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of deliveries or which could necessitate Lion securing alternative shipping suppliers has increased in the past and could also increase Lion's costs or otherwise materially adversely affect its business, results of operations or financial condition.

Significant product repair and/or replacement due to product warranty claims or product recalls could have a material adverse impact on Lion's business, results of operations or financial condition.

Lion generally provides a limited warranty against defects for all of its products, and customers may in certain instances purchase extended warranties. In addition, Lion may in the future be required to make

product recalls or could be held liable in the event that some of its products do not meet safety standards or statutory requirements on product safety, even if the defects related to any such recall or liability are not covered by Lion's limited warranty. Although Lion employs quality control procedures, products manufactured by it will need repair or replacement or may be recalled. Lion's standard warranties generally require it to repair or replace defective products during such warranty periods at no cost to the consumer. Lion records provisions based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore negatively impact Lion's results of operations of financial condition. Although Lion has not to this date made any major product recall, it could in the future be required to make major product recalls or could be held liable in the event that some of its products do not meet safety standards or statutory requirements on product safety. In addition, the risks associated with product recalls may be aggravated if production volumes increase significantly, supplied goods do not meet Lion's standards, Lion fails to perform its risk analysis systematically or product-related decisions are not fully documented. The repair and replacement costs that Lion could incur in connection with a recall could have a material adverse effect on its business, results of operations or financial condition. Product recalls could also harm Lion's reputation and cause it to lose customers, particularly if recalls cause consumers to question the safety or reliability of its products, which could have a material adverse effect on its business, results of operations or financial condition.

In addition, purchase agreements with Lion's customers may from time to time contain, in addition to Lion's limited warranty, undertakings related to certain specific levels of performance and availability for the vehicles sold thereunder. Failure by Lion to provide the required levels of performance and availability, even if such failure is the result of factors outside of Lion's control, could result in Lion being liable under such contractual arrangements or allow customers to terminate their arrangements with Lion, which could have a material adverse effect on its business, results of operations or financial condition.

An adverse determination in any significant product liability claim against Lion could materially adversely affect its business, results of operations or financial condition.

The development, manufacturing, sale and usage of Lion's vehicles expose Lion to significant risks associated with product liability claims. The automotive industry in particular experiences significant product liability claims, and Lion may face inherent risk of exposure to claims in the event its vehicles do not perform or are claimed to not have performed as expected. If Lion's products are defective, malfunction or are used incorrectly by its customers, it may result in bodily injury, property damage or other injury, including death, which could give rise to product liability claims against Lion. Changes to Lion's manufacturing processes, including as a result of the establishment of manufacturing operations and ramp-up of production capacity at the Joliet Facility and upcoming battery manufacturing plant at the Lion Campus, and the production of new products and applications could result in product quality issues, thereby increasing the risk of litigation and potential liability. Any losses that Lion may suffer from any liability claims and the effect that any product liability litigation may have upon the brand image, reputation and marketability of Lion's products could have a material adverse impact on Lion's business, results of operations or financial condition.

Although Lion maintains insurance with respect to future claims in amounts it believes to be appropriate, no assurance can be given that material product liability claims will not be made in the future against Lion, or that claims will not arise in the future in excess or outside the coverage of Lion's indemnities and insurance. When required, Lion records provisions for known potential liabilities, but there is the possibility that actual losses may exceed these provisions and therefore negatively impact earnings. Also, Lion may not be able in the future to obtain adequate product liability insurance or the cost of doing so may be prohibitive. Adverse determinations of material product liability claims made against Lion could also harm its reputation and cause it to lose customers and could have a material adverse effect on its business, results of operations or financial condition.

Lion is highly dependent on the services of Marc Bedard, its CEO—Founder and the rest of its senior management team. Lion's inability to retain Mr. Bedard or attract and retain management or other employees who possess specialized market knowledge and technical skills could affect its

ability to compete, manage or scale operations effectively or develop new products or otherwise materially adversely affect its business, results of operations or financial condition.

Lion's success depends, in part, on its ability to retain its key personnel, in particular management and other employees who possess specialized market knowledge and technical skills. Lion is highly dependent on the services of Marc Bedard, its CEO—Founder and second largest shareholder. Mr. Bedard is the source of many of the innovative ideas driving Lion and their execution. If Mr. Bedard were to discontinue his service for Lion due to death, disability or any other reason, Lion could be significantly disadvantaged. The unexpected loss of or failure to retain one or more of Lion's key employees could adversely affect Lion's business, results of operations or financial condition. Lion does not currently maintain key man life insurance policies with respect to Mr. Bedard or any other officer.

Lion's business plans, including the ramp-up of its Saint-Jerome facility and the establishment of manufacturing operations and ramp-up of production capacity at the Joliet Facility and the Lion Campus, are highly dependent on the Company's continuing ability to identify, hire, attract, train, develop and retain additional employees across all divisions, including highly qualified personnel with specialized market knowledge and technical skills. Experienced and highly skilled employees are in high demand and competition for these employees can be intense, and Lion's ability to hire, attract and retain them depends on Lion's ability to provide competitive compensation. Lion may not be able to attract, assimilate, develop or retain qualified personnel in the future, and Lion's failure to do so could materially adversely affect its business, results of operations or financial condition. In addition, global labor shortages have exacerbated and may continue to exacerbate in the future Lion's exposure to such risk. Any failure by Lion's management team and employees to perform as expected may have a material adverse effect on its business, results of operations or financial condition.

Any deterioration in relationships with Lion's employees, work stoppage or similar difficulties, or potential labor and union activities could have a material adverse effect on Lion's business, results of operations or financial condition.

Although none of Lion's employees are currently represented by a labor union, it is common throughout the vehicle manufacturing industry for employees to belong to a union, which could result in increased employee costs, operational restrictions and potential disruptions to operations. The maintenance of a productive and efficient labor environment and, in the event of unionization of employees, the successful negotiation of a collective bargaining agreement, cannot be assured. A deterioration in relationships with employees or in the labor environment could result in work interruptions or other disruptions, or cause management to divert time and resources from other aspects of Lion's business, any of which could have a material adverse effect on Lion's business, results of operations or financial condition. The Company may also directly and indirectly depend upon other companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on Lion's business, results of operations or financial condition.

The terms of Lion's debt instruments contain, and the terms of its future indebtedness may contain, certain covenants that restrict its ability to engage in certain transactions.

The instruments governing Lion's indebtedness contain restrictive covenants that may limit its discretion with respect to certain business matters and require it to meet certain financial ratios and financial condition tests. Lion may also incur future indebtedness that might subject it to additional covenants and restrictions that could affect its financial and operational flexibility. The restrictions in the instruments governing Lion's indebtedness may prevent it from taking actions that it believes could be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. Such restrictions may include restrictions relating to Lion's ability to engage in certain transactions, including potential mergers, acquisitions, or other change of control transactions, which could limit its ability to pursue strategic opportunities. Further, the IQ Loan and SIF Loan contain certain affirmative and negative covenants,

including covenants relating to Lion's workforce, operations, and R&D activities, and to the location of its head office, all of which could restrict Lion in the manner in which it wishes to conduct its business.

Lion's ability to comply with the covenants and restrictions contained in the instruments governing its indebtedness may be affected by economic, financial and industry conditions beyond its control. A breach of any of these covenants or restrictions could result in a default under the applicable debt instrument that would permit applicable lender(s) to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, or cause cross-defaults under Lion's other debt instruments. If Lion is unable to repay its indebtedness, or otherwise defaults under its indebtedness, lenders could intent proceedings or proceed against the collateral securing any debt. In any such case, Lion may be unable to borrow under the agreements under which such other indebtedness is issued, which could have a material adverse effect on its business, results of operations or financial condition.

Fluctuations in foreign currency exchange rates could result in declines in reported sales and net earnings.

Lion reports its financial results in U.S. dollars and a material portion of its sales and operating costs are realized in currencies other than the U.S. dollar. For the year ended December 31, 2022, approximately 87% of Lion's revenues were realized in Canada. Lion is also exposed to other currencies such as the Euro, and may in the future be exposed to other currencies. If the value of any currencies in which sales are realized, particularly the Canadian dollar, depreciates relative to the U.S. dollar, Lion's foreign currency revenue will decrease when translated to U.S. dollars for reporting purposes. In addition, any depreciation in foreign currencies could result in higher local prices, which may negatively impact local demand and have a material adverse effect on Lion's business, results of operations or financial condition. Alternatively, if the value of any of the currencies in which operating costs are realized appreciates relative to the U.S. dollar, Lion's operating costs will increase when translated to U.S. dollars for reporting purposes. Although these risks may sometimes be naturally hedged by a match in sales and operating costs denominated in the same currency, fluctuations in foreign currency exchange rates, particularly the U.S.-Canadian dollar exchange rate, could create discrepancies between Lion's sales and operating costs in a given currency that could have a material adverse effect on its business, results of operations or financial condition. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of Lion's products in markets where it faces competition from manufacturers who are less affected by such fluctuations in exchange rates, especially in the U.S. market.

While Lion actively manages its exposure to foreign-exchange rate fluctuations and may enter into hedging contracts from time to time, such contracts hedge foreign-currency denominated transactions and any change in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. Furthermore, Lion does not have foreign-exchange hedging contracts in place with respect to all currencies in which it does business. As a result, there can be no assurance that Lion's approach to managing its exposure to foreign-exchange rate fluctuations will be effective in the future or that Lion will be able to enter into foreign-exchange hedging contracts as deemed necessary on satisfactory terms.

Natural disasters, unusually adverse weather, epidemic or pandemic outbreaks, boycotts and geo-political events could materially adversely affect Lion's business, results of operations or financial condition.

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, epidemic or pandemic outbreaks, such as the COVID-19 pandemic, boycotts and geo-political events, such as civil unrest and acts of terrorism, the current military conflict between Russia and Ukraine or similar disruptions could materially adversely affect Lion's business, results of operations or financial condition. Some of these events could result in physical damage to property, an increase in energy prices and raw materials, potential supply chain disruptions, temporary or permanent closure of one or more of Lion's current or planned facilities, temporary lack of an adequate workforce in a market, temporary or long-term disruption in the supply of raw materials, product parts and components,

temporary disruption in transport from overseas, or disruption to Lion’s information systems. Lion may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results and financial condition.

For instance, over the past years, the COVID-19 pandemic has resulted in government measures that have impacted Lion’s operations and those of its suppliers, causing shutdowns and reduced activity at its Saint-Jerome manufacturing facility. Such measures have also impacted the Company’s development activities, marketing, sales, and after-market activities, and have significantly affected Lion’s customers, suppliers, and other business partners. In addition, pandemic-related global trade conditions have created issues like port congestion, intermittent supplier shutdowns, and delays, resulting in additional expenses to expedite delivery of critical parts. Labor shortages resulting from the COVID-19 pandemic have also led to increased difficulty in hiring and retaining manufacturing and service workers, as well as increased labor costs for Lion and its suppliers. There continues to be uncertainty surrounding the COVID-19 pandemic, and the full extent to which COVID-19 (including as a result of the effect of new variants of the virus in the future) may impact Lion’s business, results of operations or financial condition or the global economy and the markets in which Lion operates and sells its products, including Canada and the United States, will depend on unknown future developments which Lion cannot predict.

Lion has limited experience servicing a large fleet of trucks. Lion’s inability to address the servicing requirements of its customers and leverage vehicle and customer data could materially adversely affect its business, results of operations or financial condition.

Lion has limited experience in servicing a large fleet of trucks and it expects to be required to increase its servicing capabilities as it scales its operations and continues to grow. Lion may have to build new experience centers in the United States and in Canada and expand services and coverage at its current experience centers to increase such servicing capabilities. In addition, as Lion increases deliveries and Lion vehicles are operated in additional locations in Canada in the United States, Lion will increasingly be required to provide servicing capabilities in locations where it does not have an experience center, including, in certain instances, remote locations. Servicing electric vehicles is different than servicing vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques. Although Lion believes the experience it has gained servicing its electric buses and in the initial deliveries of urban trucks positions it well to service its urban trucks and future products, Lion has limited after-sale experience of maintaining and servicing a large fleet of urban trucks for its customers, including with respect to charging infrastructure solutions and there is no guarantee Lion will be able to do so. Failure to address the servicing requirements of its customers could harm Lion’s reputation or materially adversely affect its business, results of operations or financial condition. If the Company experiences delays in adding such servicing capacity or servicing its vehicles efficiently, or experience unforeseen issues with the reliability of its vehicles, particularly higher-volume and relatively newer additions to its product offering, it could overburden its servicing capabilities and parts inventory.

Lion’s customers will also depend on Lion’s customer support team to resolve technical and operational issues relating to the software integrated in its vehicles. Lion’s ability to provide effective customer support is largely dependent on its ability to attract, train and retain qualified personnel with experience in supporting customers on platforms such as Lion’s platform. As it continues to grow, additional pressure may be placed on Lion’s customer support team, and Lion may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support. Lion may also be unable to modify the future scope and delivery of its technical support to compete with changes in the technical support provided by its competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect Lion’s results of operation. If Lion is unable to successfully address the servicing requirements of its customers or establish a market perception that it maintains high-quality support, it may be subject to claims from its customers, including for loss of revenue or damages, and its business, results of operations or financial condition may be materially and adversely affected.

In addition, Lion relies on data collected from the use of its fleet of vehicles, including vehicle data and data related to battery usage statistics. Lion uses this data in connection with the servicing and normal course software updates of its products, its software algorithms and the research, development and analysis of its vehicles. Lion's inability to obtain this data or the necessary rights to use this data or Lion's inability to properly analyze or use this data could result in Lion's inability to adequately service its vehicles or delay or otherwise negatively impact its research and development efforts. Any of the foregoing could materially adversely affect Lion's business, results of operations or financial condition.

Lion's future growth is dependent upon the trucking and busing industries' and Lion's other customers' willingness to adopt all-electric vehicles and specifically Lion's vehicles.

Lion's future growth is highly dependent upon the adoption by the commercial trucking and busing industries and Lion's other target consumers of, and Lion is subject to an elevated risk of any reduced demand for, alternative fuel vehicles in general and electric vehicles in particular. If the market for electric vehicles does not develop at the rate or in the manner or to the extent that Lion expects, or if critical assumptions Lion has made regarding the efficiency of its vehicles are incorrect or incomplete, Lion's business, results of operations or financial condition may be adversely materially affected. The market for alternative fuel vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the adoption of alternative fuel vehicles, and specifically electric vehicles, include:

- perceptions about electric vehicle quality, safety (in particular with respect to lithium-ion battery cells, modules and packs), design, performance and cost;
- perceptions about vehicle safety in general, including the use of advanced technology, such as vehicle electronics, alternative fuel and regenerative braking systems;
- the limited range over which electric vehicles may be driven on a single battery charge;
- the decline of an electric vehicle's range resulting from deterioration over time in the battery's ability to hold a charge or short term declines resulting from adverse weather conditions;
- the availability of service and charging stations for electric vehicles;
- concerns about electric grid capacity and reliability, which could derail past, present and future efforts to promote electric vehicles as a practical solution to vehicles which require gasoline;
- the availability of alternative fuel vehicles;
- improvements in the fuel economy of the internal combustion engine;
- the introduction of other alternative fuel vehicles or other technologies;
- the environmental consciousness of the trucking and busing industries and Lion's other target customers;
- volatility in the cost of oil and gasoline;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy;
- the availability of tax and other governmental incentives to purchase and operate electric vehicles or future regulation;
- perceptions about and the actual cost of alternative fuel, as well as hybrid and electric vehicles; and
- macroeconomic factors.

It is unknown to what extent any possible decreases in the cost of diesel fuel or the introduction of new technologies may impact the market for all-electric vehicles. The battery electric vehicle industry and its technology are rapidly evolving and may be subject to unforeseen changes. Lion may be unable to keep up with changes in electric vehicle technology or alternatives to electricity as a fuel source and, as a result, its competitiveness may suffer. Developments in alternative or analogous technologies, such as advanced diesel, hydrogen, ethanol, fuel cells, or compressed natural gas, or improvements in the fuel

economy of the internal combustion engine, may harm Lion’s competitive position and growth prospects or materially and adversely affect Lion’s business, results of operations or financial condition, including in ways which it currently does not anticipate. In addition, even if the trucking and busing industries and Lion’s other target customers adopt all-electric vehicles, Lion may be unable to maintain or improve its competitive position and market share, which could adversely affect Lion’s business, results of operations or financial condition.

Inadequate access to charging stations could impact the demand for all-electric vehicles, and failure by Lion to meet user expectations related to, or other difficulties in providing, charging solutions could harm Lion’s reputation or materially adversely affect its business, results of operations or financial condition.

Demand for Lion’s vehicles will depend in part upon the availability of a charging infrastructure. The Company markets its ability to provide its customers with comprehensive charging solutions. The Company has very limited experience in the actual provision of its charging solutions to customers and providing these services is subject to challenges, which include:

- successful integration with existing third-party charging networks;
- inadequate capacity or over capacity in certain areas, security risks or risk of damage to vehicles charging equipment or real or personal property;
- access to sufficient charging infrastructure;
- availability of reliable and sufficient sources of electrical power;
- obtaining any required permits, land use rights and filings;
- the potential for lack of customer acceptance of Lion’s charging solutions; and
- the risk that government support for electric vehicles and infrastructure may not continue.

While the prevalence of charging stations generally has been increasing, charging station locations are significantly less widespread than gas stations. Some potential customers may choose not to purchase Lion’s vehicles because of the lack of a more widespread charging infrastructure. Further, to provide its customers with access to sufficient charging infrastructure, the Company will rely on the availability of, and successful integration of its vehicles with, third-party charging networks. Any failure of third-party charging networks to meet customer expectations or needs, including quality of experience, could impact the demand for all-electric vehicles, including Lion’s. In addition, given Lion’s limited experience in providing charging solutions, there could be unanticipated challenges, which may hinder its ability to provide its solutions or make the provision of its solutions costlier than anticipated. To the extent the Company is unable to meet user expectations or experience difficulties in providing charging solutions, its reputation could be harmed, and its business, results of operations or financial condition could be materially adversely affected.

Lion’s distribution model is different from the typical distribution model for most vehicle manufacturers and may limit Lion’s ability to sell its vehicles directly to customers in certain states in the United States or provide service from a location in every state.

Lion operates under a distribution model pursuant to which it sells vehicles directly to customers where possible. That said, certain U.S. states have laws that impose or may be interpreted to impose limitations on this direct-to-consumer sales model for manufacturers such that Lion has in certain instances entered into distribution agreements with a select group of third-party dealers to abide by local laws and regulations in certain states requiring medium and heavy-duty vehicles to be sold through dealerships. The application of these state laws to Lion’s operations is complex and may be difficult to predict. Laws in some states may limit Lion’s ability to obtain dealer licenses from state motor vehicle regulators or to own or operate its own service centers. In addition, certain of the distribution agreements entered into with such third-party dealers may impose restrictions on the conduct of Lion's business in the applicable state, which could interfere with Lion's sales and marketing efforts in a particular state. As a result, the Company may not be able to sell directly to customers in each state in the United States or provide service from a location in every state. Continued regulatory limitations and other obstacles

interfering with Lion's ability to sell vehicles directly to consumers could materially adversely affect Lion's business, results of operations or financial condition.

Lion's vehicles are subject to numerous mandated safety standards. Lion may be unable to comply with such safety standards, or could incur significant costs in order to do so, which could in each case materially adversely affect its business, results of operations or financial condition.

The vehicles that Lion manufactures and sells are subject to various and complex safety standards across jurisdictions where Lion operates. For example, in the United States, the National Traffic and Motor Vehicle Safety Act of 1966 regulates vehicles and vehicle equipment by prohibiting the sale of any new vehicle or equipment that does not conform to applicable vehicle safety standards established by the National Highway Transportation Safety Administration, while in Canada, the Motor Vehicle Safety Act regulates vehicles and Transport Canada develops and enforces Motor Vehicle Safety Standards which are generally harmonized with the standards in the United States. Meeting or exceeding such safety standards is costly and has continued to evolve alongside developments in technology and safety expectations. Although Lion continuously evaluates requirements for licenses, approvals, certificates and governmental authorizations necessary to manufacture, sell or service its vehicles in the United States and Canada, it may experience difficulties in obtaining or complying with various licenses, approvals, certifications and other governmental authorizations necessary to manufacture, sell or service its vehicles, especially for future vehicles. For example, in the United States, every class of heavy-duty engines or vehicles must receive Certificate of Conformity ("COCs") from the U.S. Environmental Protection Agency (the "EPA") prior to being sold. These COCs must be obtained for each model year of production, and failure to obtain them prior to entering Lion's vehicles into commerce may result in substantial fines or penalties. In addition, the EPA and California Air Resources Board ("CARB") have annual certification greenhouse gas emissions requirements related to Lion's vehicles. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Similar regulations exist in other jurisdictions, including Canada. Failure by Lion to maintain or obtain any necessary approval for, or otherwise satisfy motor vehicle standards with respect to, its existing or future electric vehicles, or the incurrence of material unexpected costs in connection therewith, could have a material adverse effect on Lion's business, results of operations or financial condition.

In addition, certain governmental incentives or subsidies are conditional upon vehicles meeting certain standards and certifications. For example, the CARB certification is required to participate in California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). Failure by Lion to maintain or obtain any necessary approval for, or otherwise satisfy motor vehicle standards with respect to, its existing or future electric vehicles could therefore result in the loss of governmental incentives or subsidies in respect to Lion products, including in certain instances in respect of existing orders, which could materially adversely affect Lion's business, results of operations or financial condition.

Lion is subject to substantial laws, regulations and standards, including related to product safety, health and safety and environmental matters, each of which could impose substantial costs, legal prohibitions or unfavorable changes upon its operations or products, and any failure to comply with these laws, regulations or standards could materially adversely affect its business, results of operations and financial condition.

As a manufacturing company, including with respect to the Saint-Jerome facility, the Joliet Facility and the Lion Campus, Lion is subject to complex environmental, manufacturing, health and safety laws and regulations at numerous jurisdictional levels in the United States and Canada, including laws relating to the use, handling, storage, recycling, disposal and human exposure to hazardous materials and with respect to constructing, operating and maintaining its facilities. The costs of compliance, including remediating contamination if any is found on Lion's properties, or at sites where Lion has sent wastes for disposal, and any changes to Lion's operations mandated by new or amended laws, may be significant. Lion may also face unexpected delays in obtaining permits and approvals required by such laws in connection with its facilities, which would hinder operation of these facilities and Lion's ability to operate its business or execute its growth strategy. Such costs and delays may materially adversely impact Lion's business, results of operations or financial condition. Furthermore, any violations of these laws may result

in substantial fines and penalties, remediation costs, third party damages, or a suspension or cessation of Lion's operations. In addition, battery electric vehicles are subject to substantial regulation under international, federal, state, provincial and local laws and implementing regulations, and these requirements are subject to change. For example, several jurisdictions have adopted, or are considering adopting, laws related to supply chain sustainability. Lion incurs significant costs in complying with applicable laws and regulations and may be required to incur additional costs to comply with any changes to such laws or regulations, and any failures to comply could result in significant expenses, delays or fines, or otherwise materially adversely affect Lion's business, results of operations or financial condition.

Unfavorable changes in U.S. or Canadian laws or regulations and trade policy, including the imposition of tariffs or quotas, or changes in any free-trade arrangements such as the CUSMA could adversely affect Lion's business, results of operations or financial condition.

While Lion began manufacturing vehicles at the Jolliet facility in November 2022, the vast majority of its vehicles are currently manufactured in, and distributed from, its Saint-Jerome, Quebec, facility. For the year ended December 31, 2022 and the year ended December 31, 2021, Lion's total sales outside Canada represented approximately 13% and 35%, respectively, of its total sales, and Lion intends to continue to expand its operations and promote its brand and vehicles in the United States. The U.S. market has been and is expected to continue generating sales growth. Several factors, including weakened international economic conditions, the introduction of new trade restrictions, increased protectionism or changes in free-trade arrangements such as the Canada-United States-Mexico Agreement (CUSMA), tariffs or negative geo-political events could adversely affect such growth. The resulting environment could have a material adverse effect on Lion's business, results of operations or financial condition.

Lion has incurred and expects it will continue to incur significant expenditures in connection with the construction of, and establishment of manufacturing operations and ramp-up of production capacity at, the Joliet Facility, which is the Company's biggest footprint in the United States and is expected to support the Company in addressing the increasing demand in the marketplace for "Made in America" zero-emission vehicles. If eligibility criteria for "Made in America" vehicles set forth in the Buy America Act were to change, or if other trade protection measures were to be implemented by the United States or any other jurisdiction in which the Company operates, Lion could have to incur significant cost to adjust its operations in order to ensure eligibility and compliance thereunder or Lion could potentially no longer be eligible under certain programs, which could result in a material adverse effect on Lion's business, results of operations or financial condition.

Tax matters and changes in tax laws could materially adversely affect Lion's business, results of operations or financial condition.

Lion conducts operations, directly and through its U.S. subsidiaries, in Canada and the United States and is therefore subject to income taxes in Canada and the United States. Lion's effective income tax rate could be adversely affected by a number of factors, including changes in the valuation of deferred tax assets and liabilities, changes in tax laws, changes in accounting and tax standards or practices, changes in the composition of operating income by tax jurisdiction, changes in Lion's operating results before taxes, and the outcome of income tax audits in Canada, the United States, or other jurisdictions. Lion regularly assesses all of these matters to determine the adequacy of its tax liabilities. If any of Lion's assessments turn out to be incorrect, Lion's business, results of operations, or financial condition could be materially adversely affected.

Lion generally conducts business in the United States through its U.S. subsidiaries. Due to the complexity of multinational tax obligations and filings, Lion may have a heightened risk related to audits or examinations by federal, state, provincial, and local taxing authorities in the jurisdictions in which it operates. Outcomes from these audits or examinations could have a material adverse effect on Lion's business, results of operations, or financial condition.

The tax laws of Canada and the United States as well as potentially any other jurisdiction in which Lion may operate in the future, have detailed transfer pricing rules that require that all transactions with non-resident related parties satisfy arm's length pricing principles. Although Lion believes that its transfer pricing policies have been reasonably determined in accordance with arm's length principles, the taxation authorities in the jurisdictions where Lion carries on business could challenge its transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge Lion's transfer pricing policies, Lion could be subject to additional income tax expenses, including interest and penalties. Any such increase in Lion's income tax expense and related interest and penalties could have a material adverse effect on its business, results of operations, or financial condition.

In addition, Lion is also entitled to claim certain expenses and tax credits, including research and development expenses and Scientific Research and Experimental Development tax credits. Although Lion believes that the claims or deductions have been reasonably determined, there can be no assurance that Canadian or other relevant foreign taxation authorities will agree. If a taxation authority were to successfully challenge the correctness of such expenses or tax credits claimed, or if a taxation authority were to reduce any tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, Lion's business, results of operations, or financial condition could be materially adversely affected.

Lion may also be adversely affected by changes in the relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions, and interpretations thereof, in each case, possibly with retroactive effect. These changes could adversely affect Lion's taxation, especially as Lion expands its relationships and operations internationally and could have a material adverse effect on Lion's business, results of operations, or financial condition..

Lion's employees and independent contractors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on its business, results of operations or financial condition.

Lion is exposed to the risk that its employees, independent contractors or other parties it collaborates with may engage in misconduct or other illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other activities that violate laws and regulations, including production standards, federal, state and provincial fraud, abuse, data privacy and security laws, other similar laws or laws that require the true, complete and accurate reporting of financial information or data. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions Lion takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. In addition, Lion is subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against Lion and it is not successful in defending itself or asserting its rights, those actions could have a material adverse effect on its business, results of operations or financial condition, including, without limitation, by way of imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement, integrity oversight and reporting obligations to resolve allegations of non-compliance, imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of its operations.

Lion is subject to information technology and cybersecurity risks, including potential breaches or interruptions to operational and security systems, infrastructure, software, and customer data processed by it or third-parties suppliers, and such risks may have a material adverse effect on Lion's business, results of operations or financial condition.

Lion is at risk for interruptions, outages and breaches of: (i) operational systems, including business, financial, accounting, product development, data processing or production processes, owned by it or its third-party suppliers; (ii) facility security systems, owned by it or its third-party suppliers; (iii) transmission control modules or other in-product technology, owned by it or its third-party suppliers; (iv) the integrated

software in Lion’s vehicles; or (v) customer or driver data that Lion processes or Lion’s third-party suppliers process on its behalf. Such cyber incidents could materially disrupt operational systems, result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information, compromise certain information of customers, employees, suppliers, drivers or others, jeopardize the security of Lion’s facilities, or affect the performance of transmission control modules or other in-product technology and the integrated software in Lion’s vehicles. A cyber incident could be caused by disasters, insiders (through inadvertence or with malicious intent) or malicious third parties (including nation-states or nation-state supported actors or terrorist groups) using sophisticated, targeted methods to circumvent firewalls, encryption and other security defenses, including hacking, fraud, viruses, trickery, denial or degradation of service attacks, ransomware, social engineering schemes or other forms of deception. The techniques used by cyber attackers change frequently and may be difficult to detect for long periods of time.

Although Lion maintains information technology measures designed to protect it against intellectual property theft, data breaches and other cyber incidents, such measures will require updates and improvements, and there is no guarantee that such measures will be adequate to detect, prevent or mitigate cyber incidents. Any implementation, maintenance, segregation and improvement of Lion’s systems may require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems, including the disruption of Lion’s data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect Lion’s ability to manage its data and inventory, procure parts or supplies or produce, sell, deliver and service its vehicles, adequately protect its intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. Lion cannot be sure that these systems upon which it relies, including those of its third-party suppliers, will be effectively implemented, maintained or expanded as planned. If Lion does not successfully implement, maintain or expand these systems as planned, its operations may be disrupted, Lion’s ability to accurately and timely report its financial results could be impaired, and deficiencies may arise in Lion’s internal control over financial reporting, which may impact Lion’s ability to certify its financial results. Moreover, Lion’s proprietary information or intellectual property could be compromised or misappropriated, and its reputation may be adversely affected. If these systems do not operate as expected, Lion may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

A significant cyber incident could impact Lion’s manufacturing capacity or production capability, harm its reputation, cause Lion to breach its contractual arrangements with other parties or subject Lion to regulatory actions or litigation, any of which could materially affect its business, results of operations or financial condition. In addition, Lion’s insurance coverage for cyberattacks may not be sufficient to cover all the losses it may experience as a result of a cyber incident.

Lion also collects, uses, discloses, stores, transmits and otherwise processes customer, driver and employee and others’ data as part of its business and operations, which may include personal data or confidential or proprietary information. Lion also works with partners and third-party service providers that may in the course of their business relationship with Lion collect, store and process such data on Lion’s behalf and in connection with Lion’s products and services. There can be no assurance that any security measures that Lion or its third-party service providers or suppliers have implemented will be effective against current or future security threats. While Lion has developed systems and processes designed to protect the availability, integrity, confidentiality and security of Lion’s, Lion’s customers’, drivers’ and employees’ and others’ data, such security measures or those of its third-party service providers, suppliers could fail and result in unauthorized access to or disclosure, acquisition, encryption, modification, misuse, loss, destruction or other compromise of such data. If a compromise of such data were to occur, Lion may become liable under its contracts with other parties and under applicable law for damages and incur penalties and other costs to respond to, investigate and remedy such an incident.

Collection, use, disclosure, storage, transmission or other processing of Lion’s customers’, employees’ and others’ information in conducting Lion’s business may subject it to various legislative and

regulatory burdens related to data privacy and security that could require notification of data breaches, restrict or impose burdensome conditions on Lion's use of such information and hinder Lion's ability to acquire new customers or market to existing customers. Laws in the United States and Canada require Lion to provide notice to individuals, customers, regulators and others when certain sensitive information has been compromised as a result of a security breach or where a security breach creates a real risk of significant harm to an individual. Such laws are inconsistent and compliance in the event of a widespread data breach could have serious negative consequences for Lion's business, including possible fines, penalties and damages, reduced customer demand for its vehicles and harm to its reputation and brand. Depending on the facts and circumstances of such an incident, these damages, penalties, fines and costs could be significant. Customers may also object to Lion's or its third party service providers' collection or processing of certain information, including personal data. Any such event could harm Lion's reputation and result in litigation against it, or otherwise materially adversely affect its business, results of operations or financial condition.

Any unauthorized control or manipulation of the information technology systems in Lion's vehicles could result in loss of confidence in Lion and its vehicles and harm its reputation, which could materially adversely affect its business, results of operations or financial condition.

Lion's vehicles contain complex information technology systems and built-in data connectivity to accept and install periodic remote updates to improve or update functionality. Lion has designed, implemented and tested security measures intended to prevent unauthorized access to its information technology networks and its vehicles and related systems. However, hackers may attempt to gain unauthorized access to modify, alter and use such networks, vehicles and systems to gain control of or to change Lion's solutions' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicles. Future vulnerabilities could be identified and Lion's efforts to remediate such vulnerabilities may not be successful. Any unauthorized access to or control of Lion's vehicles, or any loss of customer data, could result in legal claims or proceedings and remediation of such problems could result in significant, unplanned capital expenditures. In addition, regardless of their veracity, reports of unauthorized access to its technology systems or data, as well as other factors that may result in the perception that Lion's vehicles, technology systems or data are capable of being "hacked," could materially negatively affect Lion's brand and harm Lion's business, results of operations or financial condition.

Lion has and may in the future make strategic alliances, partnerships or investments or acquisitions, all of which could divert management's attention, result in Lion incurring significant costs or operating difficulties and dilution to its shareholders and otherwise disrupt its operations and materially adversely affect its business, results of operations or financial condition.

As part of its growth strategy, Lion may from time to time explore or enter into strategic alliances, partnerships or investments or acquisitions and/or other inorganic growth opportunities. There are risks associated with the foregoing, including:

- the sharing of confidential information;
- the diversion of management's time and focus from operating its business;
- the use of resources that are needed in other areas of its business;
- unforeseen costs or liabilities;
- adverse effects to Lion's existing business relationships with partners and suppliers;
- litigation or other claims arising in connection with the acquired company, investment, partnership or joint venture;
- the possibility of adverse tax consequences;
- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company; and

- in the case of an acquisition, retention and integration of employees from the acquired company, and preservation of its corporate culture.

Lion may have limited ability to monitor or control the actions of any third party involved in any such transaction and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, Lion may also suffer negative publicity or harm to its reputation by virtue of its association with any such third party. Participation in strategic alliances, partnerships or investments or acquisitions may also result in dilutive issuances of equity securities, which could adversely affect the price of the common shares of the Company, or result in issuances of securities with superior rights and preferences to the common shares of the Company or the incurrence of debt with restrictive covenants that limit Lion's future uses of capital in pursuit of business opportunities. Lion may also not be able to identify opportunities for strategic partnerships or arrangements, acquisition or investments that meet its strategic objectives, or to the extent such opportunities are identified, may not be able to negotiate terms with respect to such opportunity that are acceptable to it. At this time Lion has made no commitments or agreements with respect to any such material transactions.

Lion's vehicles, as well as the maintenance and repair services it offers to its customers, rely on software and hardware that is highly technical, and if these systems contain errors, bugs or vulnerabilities, or if Lion is unsuccessful in addressing or mitigating technical limitations in its systems, Lion's business, results of operations or financial condition could be materially adversely affected.

Lion's vehicles rely on software and hardware, including software and hardware developed or maintained by third parties, that is highly technical and complex and require modification and updates over the life of the vehicle. In addition, the performance of the software solutions included in Lion's vehicles depends on the ability of such software and hardware to store, retrieve, process and manage immense amounts of data. Lion's software and hardware may contain errors, bugs or vulnerabilities, and its systems are subject to certain technical limitations that may compromise Lion's ability to meet its objectives. Some errors, bugs or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been released for external or internal use. Errors, bugs, vulnerabilities, design defects or technical limitations may be found within Lion's software and hardware. Although Lion attempts to remedy any issues it observes in its vehicles and software as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be to the satisfaction of Lion's customers. Additionally, if Lion is able to deploy updates to the software addressing any issues, but such updates cannot or are not installed by its customers, such customers' software will be subject to these vulnerabilities until they install such updates. If Lion is unable to prevent or effectively remedy errors, bugs, vulnerabilities or defects in its software and hardware, Lion may suffer damage to its reputation, loss of customers, loss of revenue or liability for damages, any of which could materially adversely affect Lion's business, results of operations or financial condition.

Lion relies on unpatented proprietary know-how, trade secrets and contractual restrictions, and not patents, to protect its intellectual and other proprietary rights. Failure to adequately protect, enforce or otherwise manage Lion's intellectual and other proprietary rights may undermine its competitive position and could materially adversely affect its business, results of operations or financial condition.

Protection of proprietary technology, processes, methods and other intellectual property related to Lion is critical to its business. Lion relies on unpatented proprietary know-how, trade secrets, trademarks, copyrights and contractual restrictions to protect its intellectual property and other proprietary rights and Lion does not hold any patents related to its business. As a matter of course, Lion employs numerous measures to protect its intellectual property and other confidential information, including technical data. For instance, Lion has implemented procedures designed to make the proprietary technology incorporated in its vehicle systems very difficult to access and/or retrieve and imposes consequences for users that seek to obtain unauthorized access to such technology. In addition, Lion enters into confidentiality agreements with suppliers, vendors, service providers, customers and other third parties

with whom it may share information about its business and operations, and Lion also requires all of its employees, consultants and other persons who work for it to enter into confidentiality and assignment of intellectual property agreements. However, failure to adequately protect Lion's intellectual property rights could result in Lion's competitors offering similar products, potentially resulting in the loss of some of Lion's competitive advantage and a decrease in revenue which would adversely affect Lion's business, results of operations or financial condition.

As well, there can be no assurance that competitors and other third parties will not independently develop the know-how and trade secrets related to Lion's proprietary technology, in which case Lion would not be able to prevent such third parties from using such know-how and trade secrets, or develop better products or manufacturing methods or processes than it.

Further, Lion may not be able to deter current and former employees, consultants, suppliers and customers as well as other parties from breaching confidentiality agreements and misappropriating proprietary information and it is possible that third parties may copy or otherwise obtain and use Lion's information and proprietary technology without authorization or otherwise infringe on Lion's intellectual property and other proprietary rights. Lion may in the future need to rely on litigation to enforce its intellectual property rights and contractual rights, and, if not successful, may not be able to protect the value of its intellectual property. Any litigation could be protracted and costly and have a material adverse effect on Lion's business, results of operations or financial condition regardless of the outcome.

As well, in some cases the costs associated with such litigation could make enforcement impracticable. Further, intellectual property and contract laws vary throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada. Policing the unauthorized use of Lion's intellectual property in foreign jurisdictions may be difficult. Therefore, Lion's intellectual property rights may not be as strong or as easily enforced outside of Canada. Failure to adequately enforce Lion's intellectual property rights could result in its competitors offering similar products, potentially resulting in the loss of some of Lion's competitive advantage and a decrease in its revenue, which would adversely affect its business, results of operations or financial condition.

Lion may need to defend itself against intellectual property infringement or trade secret misappropriation claims, which may be time-consuming, could cause it to incur substantial costs and could prevent Lion from developing or commercializing future products.

Companies, organizations or individuals, including Lion's competitors, may own or obtain patents, trademarks or other intellectual property or proprietary rights that would prevent or limit Lion's ability to make, use, develop or sell its vehicles or components, which could make it more difficult for Lion to operate its business. Lion may receive inquiries from owners of intellectual property rights inquiring whether it infringes their proprietary rights. Lion may also be the subject of allegations that it has misappropriated a third party's trade secrets or other proprietary rights. Companies owning patents or other intellectual property rights relating to the operation of Lion's business, including in respect of battery packs, electric motors, fuel cells or electronic power management systems may allege infringement or misappropriation of such rights. Some of these companies or competitors may be bigger than Lion and therefore have greater resources to dedicate to initiate or defend against those claims, whether founded or unfounded. In response to a determination that Lion has infringed or misappropriated upon a third party's intellectual property rights, Lion may be required to do one or more of the following: (i) cease development, sales, or use of vehicles that incorporate the asserted intellectual property, (ii) establish and maintain alternative branding for its products and services, (iii) pay substantial damages, (iv) obtain a license from the owner of the asserted intellectual property right, which license may not be available on commercially reasonable terms or at all; or (v) redesign one or more aspects or systems of its vehicles.

Any litigation or claims against Lion, whether valid or invalid, could result in substantial costs and diversion of resources or otherwise materially adversely affect its business, results of operations and financial condition.

Lion also licenses patents and other intellectual property from third parties, including its third-party suppliers, and Lion may face claims that the use by it of this in-licensed technology infringes the intellectual property rights of others. In such cases, Lion would seek indemnification from its licensors. However, Lion's rights to indemnification may be unavailable or insufficient to cover Lion's costs and losses, which could materially adversely affect Lion's business, results of operations and financial condition. As well, Lion cannot be certain that such licensed intellectual property will afford protection against competitors with similar technology as the scope of protection of issued patent claims is often difficult to determine. The claims under any licensed patents may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to the patented technology.

The share price of the Company's common shares has been and may continue to be volatile.

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The market price of the Company's common shares has and could be further subject to significant fluctuations. Some of the factors that may cause the market price of the Company's common shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in Lion's operating results or in the expectations of market analysts;
- short sales, hedging and other derivative transactions in the Company's common shares;
- publication of research reports or news stories about Lion, its competitors or its industry;
- litigation or regulatory action against Lion;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the impact of any public announcements made in regard to any transactions;
- adverse market reaction to any indebtedness it may incur or additional securities it may issue in the future;
- investors' general perception of Lion and the public's reaction to its press releases, other public announcements and filings with U.S. and Canadian securities regulators, including its financial statements;
- changes in general political, economic, industry and market conditions and trends;
- sales of the Company's common shares by existing shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Lion or its competitors; and
- the other risk factors described in this section of this Annual Report.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Certain institutional investors may base their investment decisions on consideration of Lion's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Company's common shares by those institutions, which could materially adversely affect the trading price of the Company's common shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, Lion's business, results of operations or financial condition and the trading price of Lion's common shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of the Company's common shares. Hence, the price of the Company's common shares could fluctuate based upon factors that have little or nothing to do with it, and these fluctuations could materially reduce the price of the Company's common shares regardless of Lion's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation

having been instituted against that company. If Lion is involved in any similar litigation, it could incur substantial costs, its management's attention and resources could be diverted and Lion's business, results of operations and financial condition could be materially adversely affected.

Certain of Lion's existing shareholders have significant influence over Lion.

As of March 9, 2023, PEC, directly or indirectly, owns or controls approximately 34.9% of Lion's issued and outstanding common shares, and 9368-2672, directly or indirectly, owns or controls approximately 12.0% of Lion's issued and outstanding common shares, in each case, on a non-diluted basis. Each of PEC and 9368-2672 may therefore have significant influence over Lion's management and affairs, which could limit a shareholder's ability to influence the outcome of matters submitted to shareholders for a vote, including election of directors and significant corporate transactions. In addition, Lion has entered into a Nomination Rights Agreement, pursuant to which, subject to the terms and conditions contained therein, each of PEC and 9368-2672 are granted certain rights to nominate members of Lion's Board of Directors (including, in certain cases, members of committees of Lion's Board of Directors) for so long as it holds a requisite percentage of the total voting power of Lion. See section 14 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "Interest of Management and Others in Material Transactions" for a summary description of the Nomination Rights Agreement. The market price of Lion's common shares could be adversely affected due to the significant influence and voting power of PEC and 9368-2672. Moreover, the significant influence and voting interest of PEC and 9368-2672 may discourage transactions involving a change of control, including transactions in which an investor, as a holder of Lion's common shares, might otherwise receive a premium for Lion's common shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed.

Additionally, PEC's interests may not align with the interests of Lion's other shareholders. PEC (or its affiliates or related entities) is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with Lion. PEC (or its affiliates or related entities) may also pursue acquisition opportunities that may be complementary to Lion's business, and, as a result, those acquisition opportunities may not be available to Lion.

Future sales (or the perception of future sales) of Lion's securities by existing shareholders or by Lion could cause the market price of Lion's common shares to drop significantly, even if its business is doing well.

The Company may issue additional securities to finance future activities, including under its ATM Program. Sales of a substantial number of Lion's common shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of Lion's common shares or securities convertible into Lion's common shares intend or that Lion intends to sell common shares or securities convertible into common shares, could reduce the market price of Lion's common shares. A decline in the market prices of the common shares could impair Lion's ability to raise additional capital through the sale of securities should Lion desire to do so.

Lion entered into a registration rights agreement pursuant to which, subject to the terms and conditions contained therein, each of PEC, 9368-2672 and the Warrantholder were granted certain rights with respect to the registration or qualification by prospectus in the United States and/or Canada of the sale of common shares of the Company held by them.

The Specified Customer Warrant entitles the Specified Warrantholder to acquire, subject to the terms thereof (including applicable vesting conditions) up to 35,350,003 common shares of Lion at an exercise price of $5.66 per share, the whole as described in section 12.0 of this MD&A entitled "Components of Results of Operations". In addition, as of March 9, 2023, the Company had outstanding 27,111,323 Business Combination Warrants, with each warrant entitling the holder thereof to acquire, subject to the terms thereof, one common share of Lion at an exercise price of $11.50 per share until May 6, 2026, and 22,637,795 2022 Warrants, with each warrant entitling the holder thereof to acquire, subject to the terms thereof, one common share of Lion at an exercise price of $2.80 per share for a period of five years until December 16, 2027. Any exercise by the Specified Warrantholder, any holder of Business Combination

Warrants or holder of 2022 Warrants of its right to acquire common shares of the Company pursuant to the Specified Customer Warrant, the Business Combination Warrants or the 2022 Warrants, as applicable, will dilute the ownership interests of Lion's then-existing shareholders and reduce Lion's earnings per share. In addition, any sales in the public market of any Lion's common shares issuable upon the exercise of the Specified Customer Warrant, Business Combination Warrants or 2022 Warrants could adversely affect prevailing market prices of Lion's common shares. Further, the Company cannot predict the size of future issuances of Lion's common shares or the effect, if any, that future issuances and sales of Lion's common shares will have on the market price of common shares. Sales of a substantial number of Lion's common shares, or the perception that such sales could occur, may adversely affect prevailing market prices for Lion's common shares.

If securities or industry analysts do not publish or cease publishing research or reports about Lion, its business or market, or if they change their recommendations regarding the Company's common shares adversely, the price and trading volume of the Company's common shares could decline.

The trading market for the Company's common shares is influenced by the research and reports that industry or securities analysts publish about Lion, its business, its market or its competitors. If any of the analysts who cover Lion or may cover Lion in the future change their recommendation regarding the Company's common shares adversely, or provide more favorable relative recommendations about its competitors, the price of the Company's common shares would likely decline. If any analyst who covers Lion or may cover it in the future were to cease coverage of Lion or fail to regularly publish reports on it, Lion could lose visibility in the financial markets, which in turn could cause the price or trading volume of the Company's common shares to decline.

Lion does not expect to declare any dividends in the foreseeable future.

The Company has never declared or paid any dividends on its common shares, and the Company anticipates reinvesting earnings to finance its business and its growth strategy, and does not anticipate declaring any cash dividends to holders of Lion's common shares in the foreseeable future. Consequently, investors may need to rely on sales of their shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

The payment of future dividends, if any, will be reviewed periodically by Lion's Board of Directors and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund our commercial activities, development and growth, and other factors that our board of directors may consider appropriate in the circumstances.

Lion is a foreign private issuer within the meaning of the SEC rules, and as such is exempt from certain provisions applicable to U.S. domestic public companies and is permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE Listed Company Manual.

Because Lion qualifies as a foreign private issuer under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), Lion is exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including: the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and the selective disclosure rules by issuers of material non-public information under Regulation FD. Lion is required to file an annual report on Form 40-F within three months of the end of each fiscal year. In addition, Lion publishes its results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events are furnished to the SEC on Form 6-K. However, the information Lion is required to file with or furnish to the SEC may be less

extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, holders of the Company's common shares may not be afforded the same protections or information that would be made available to them were they investing in a U.S. domestic issuer.

In addition, as a corporation incorporated under the Business Corporations Act (Quebec) listed on the NYSE, Lion is subject to the NYSE Listed Company Manual. However, the NYSE Listed Company Manual permits a foreign private issuer like Lion to follow the corporate governance practices of its home country. Certain corporate governance practices in Canada, which is Lion's home country, may differ significantly from the NYSE Listed Company Manual. Lion may rely on home country practice with respect to its corporate governance, and Lion is currently doing so with respect to certain corporate governance requirements. As a result, holders of the Company's common shares may be afforded less protection than they otherwise would enjoy under the NYSE Listed Company Manual applicable to U.S. domestic issuers.

Any issuance of preferred shares could make it difficult for another company to acquire Lion or could otherwise adversely affect holders of the Company's common shares, which could depress the price of the Company's common shares.

Lion's Board of Directors has the authority to issue preferred shares of the Company and to determine the preferences, limitations and relative rights of such preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by its shareholders. Any such preferred shares of the Company could be issued with liquidation, dividend and other rights superior to the rights of the Company's common shares. The potential issuance of preferred shares may delay or prevent a change in control of Lion, discourage bids for the Company's common shares at a premium over the market price and adversely affect the market price and other rights of the holders of the Company's common shares.

Lion's constating documents and certain Canadian legislation contain provisions that may have the effect of delaying or preventing certain change in control transactions or shareholder proposals.

Certain provisions of Lion's By-laws (as defined below) and certain Canadian legislation, together or separately, could discourage or delay certain change in control transactions or shareholder proposals. Lion's By-laws contain provisions that establish certain advance notice procedures for nomination of candidates for election as directors at shareholders' meetings. The Business Corporations Act (Quebec) requires that any shareholder proposal that includes nominations for the election of directors must be signed by one or more holders of shares representing in the aggregate not less than 5% of the shares or 5% of the shares of a class or series of shares of the corporation entitled to vote at the meeting to which the proposal is to be presented. The Investment Canada Act requires that a non-Canadian must file an application for review with the Minister responsible for the Investment Canada Act and obtain approval of the Minister prior to acquiring control of a "Canadian business" within the meaning of the Investment Canada Act, where prescribed financial thresholds are exceeded. Furthermore, limitations on the ability to acquire and hold common shares of the Company may be imposed by the Competition Act (Canada). This legislation permits the Commissioner of Competition, or Commissioner, to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in Lion. Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to Lion's shareholders.

Lion's constating documents provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to its internal affairs will be required to be litigated in Canada, other than complaints asserting a cause of action arising under the Securities Act or the Exchange Act, and that the U.S. federal district courts will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the Exchange Act, which could limit shareholders' ability to obtain a favorable judicial forum for disputes with Lion

Lion's By-laws include a forum selection provision that provides that, unless Lion consents in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Quebec, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on Lion's behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of Lion's directors, officers, or other employees to Lion; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the Business Corporations Act (Quebec) or Lion's By-laws; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among Lion, its affiliates and their respective shareholders, directors and/or officers, but excluding claims related to Lion's business or such affiliates. The forum selection provision also provides that Lion's securityholders are deemed to have consented to personal jurisdiction in the Province of Quebec and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

In addition, Lion's By-laws provide that the U.S. federal district courts will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the U.S. Securities Act of 1933, as amended (the "Securities Act") and the Exchange Act. The enforceability of similar exclusive forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies' organizational documents has been challenged in legal proceedings, and there is uncertainty as to whether courts would enforce the exclusive forum provisions in Lion's By-laws. Additionally, Lion's securityholders cannot waive compliance with the U.S. federal securities laws and the rules and regulations thereunder. The forum selection provision may impose additional litigation costs on shareholders in pursuing any such claims. Additionally, the forum selection provision may limit shareholders' ability to bring a claim in a judicial forum that they find favorable for disputes with Lion or its directors, officers or employees, which may discourage the filing of lawsuits against Lion and its directors, officers and employees, even though an action, if successful, might benefit its shareholders. The courts of the Province of Quebec may also reach different judgments or results than would other courts, including courts where a shareholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to Lion than to its shareholders. If a court were to find either choice of forum provision contained in Lion's By-laws to be inapplicable or unenforceable in an action, Lion may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect Lion's business, results of operations and financial condition.

The Business Combination could result in adverse U.S. federal income tax consequences for Lion and its shareholders pursuant to the application of Section 7874 of the Code, including Lion being treated as a U.S. corporation for U.S. federal income tax purposes.

Under current U.S. federal income tax law, a corporation organized under Canadian law is not treated as a U.S. corporation and, therefore, is treated as a non-U.S. corporation. Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, however, contain rules that may cause a non-U.S. corporation that acquires the stock of a U.S. corporation (such as the Business Combination with NGA) to be treated as a U.S. corporation for U.S. federal income tax purposes under certain circumstances. If Lion were treated as a U.S. corporation for U.S. federal income tax purposes, among other consequences, it would generally be subject to U.S. federal income tax on its worldwide income, and its dividends would be treated as dividends from a U.S. corporation. Regardless of the application of Section 7874 of the Code, Lion is expected to be treated as a Canadian tax resident for Canadian tax purposes. Consequently, if Lion were to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code, it could be liable for both U.S. and Canadian taxes, and dividends paid by Lion to its shareholders could be subject to both U.S. and Canadian withholding taxes. Even if Lion is not treated as U.S. corporation for U.S. federal income tax purposes, Lion and its shareholders may become subject to other adverse tax consequences pursuant to the "60% Inversion Rules" (as defined in under "Tax Residence of the Company for U.S. Federal Income Tax Purposes" in section 19 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "Certain United States Federal Income Tax Considerations".

Lion does not believe that it is treated as a U.S. corporation for U.S. federal income tax purposes or subject to the 60% Inversion Rules, and Lion intends to take this position on its tax returns. Lion has not sought and will not seek any rulings from the U.S. Internal Revenue Service as to such tax treatment. There can be no assurance that a tax advisor, the U.S. Internal Revenue Service, or a court will agree with the position that Lion is not treated as a U.S. corporation for U.S. federal income tax purposes or subject to the 60% Inversion Rules. Lion is not representing to you that Lion will not be treated as a U.S. corporation for U.S. federal income tax purposes or subject to the 60% Inversion Rules. The rules for determining whether a non-U.S. corporation is treated as a U.S. corporation for U.S. federal income tax purposes or subject to the 60% Inversion Rules are complex, unclear, and the subject of ongoing regulatory change. Lion's position is not free from doubt. See "Tax Residence of the Company for U.S. Federal Income Tax Purposes" in section 19 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "Certain United States Federal Income Tax Considerations".

Investors may be subject to adverse U.S. federal income tax consequences if the Company is or becomes a passive foreign investment company for U.S. federal income tax purposes.

A non-U.S. corporation will be considered a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes in any taxable year in which either (i) 75% or more of its gross income is passive income or (ii) the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50 percent.

Based on Lion's financial statements and its expectations about the nature and amount of its income, assets and activities and the market value of its equity, Lion does not believe that it was a PFIC in fiscal 2022 or fiscal 2021 and does not expect to be a PFIC for the current taxable year or in the reasonably foreseeable future. No assurance can be given that Lion will not be a PFIC for the current or any future taxable year. If Lion is a PFIC for any taxable year during which a U.S. Holder (as defined under "Certain United States Federal Income Tax Considerations" in section 19 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "Certain United States Federal Income Tax Considerations") holds common shares or warrants of the Company, the U.S. Holder might be subject to increased U.S. federal income tax liability and to additional reporting obligations. See "Passive Foreign Investment Company Status" in section 19 of the Company's Annual Information Form for the year ended December 31, 2022 entitled "Certain United States Federal Income Tax Considerations". Prospective investors are encouraged to consult their own tax advisors regarding the applicability of the PFIC rules to their purchase, ownership and disposition of common shares or warrants.

Additional Information

Additional information relating to Lion is available on SEDAR at www.sedar.com and on Edgar at www.sec.gov.

The Lion Electric Company

Consolidated Financial Statements

December 31, 2022 and 2021

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of
The Lion Electric Company

Opinion on the consolidated financial statements

We have audited the accompanying consolidated statements of financial position of The Lion Electric Company (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings (loss) and comprehensive loss, changes in equity and cash flows for the years then ended and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2014.

/s/ Raymond Chabot Grant Thornton LLP

Montréal, Canada
March 9, 2023

The Lion Electric Company
Consolidated Statements of Financial Position

As at December 31, 2022 and December 31, 2021
(In US dollars)

	Notes	**December 31, 2022**	December 31, 2021
		$	$
ASSETS			
Current			
Cash		**88,266,985**	241,702,030
Accounts receivable	**5**	**62,971,542**	37,899,085
Inventories	**6**	**167,191,935**	115,978,979
Prepaid expenses and other current assets		**5,067,513**	4,647,163
Current assets		**323,497,975**	400,227,257
Non-current			
Other non-current assets		**1,073,226**	793,298
Property, plant and equipment	**7**	**160,756,328**	32,668,158
Right-of-use assets	**8**	**60,508,354**	60,902,362
Intangible assets	**9**	**151,364,023**	81,899,830
Contract asset	**14**	**13,211,006**	14,113,415
Non-current assets		**386,912,937**	190,377,063
Total assets		**710,410,912**	590,604,320
LIABILITIES			
Current			
Trade and other payables	**11**	**75,857,013**	40,409,565
Current portion of long-term debt and other debts	**12**	**24,713**	13,015,584
Current portion of lease liabilities	**8**	**5,210,183**	4,691,344
Current liabilities		**81,091,909**	58,116,493
Non-current			
Long-term debt and other debts	**12**	**110,648,635**	62,086
Lease liabilities	**8**	**58,310,032**	57,517,973
Share warrant obligations	**14**	**23,243,563**	106,225,934
Non-current liabilities		**192,202,230**	163,805,993
Total liabilities		**273,294,139**	221,922,486
SHAREHOLDERS' EQUITY			
Share capital	**22**	**475,950,194**	418,709,160
Contributed surplus		**134,365,664**	122,637,796
Deficit		**(151,979,960)**	(169,755,726)
Cumulative translation adjustment		**(21,219,125)**	(2,909,396)
Total shareholders' equity		**437,116,773**	368,681,834
Total shareholders' equity and liabilities		**710,410,912**	590,604,320

The accompanying notes are an integral part of the consolidated financial statements.

The Lion Electric Company
Consolidated Statements of Earnings (Loss) and Comprehensive Loss

For the years ended December 31, 2022 and 2021

(In US dollars)

	Notes	December 31, 2022	December 31, 2021
		$	$
Revenue	23	**139,914,470**	57,710,204
Cost of sales		**152,861,775**	57,664,749
Gross profit (loss)		**(12,947,305)**	45,455
Administrative expenses	15,16	**44,843,042**	78,422,622
Selling expenses	15,16	**22,973,972**	27,719,888
Transaction costs		**—**	13,654,851
Operating loss		**(80,764,319)**	(119,751,906)
Finance costs	17	**955,422**	8,332,477
Foreign exchange loss		**1,972,679**	1,036,840
Change in fair value of share warrant obligations	14	**(101,468,186)**	(85,795,903)
Earnings (loss) before income taxes		**17,775,766**	(43,325,320)
Income taxes	18	**—**	—
Net earnings (loss)		**17,775,766**	(43,325,320)
Other comprehensive income (loss)			
Item that will be subsequently reclassified to net earnings (loss)			
Foreign currency translation adjustment		**(18,309,729)**	321,188
Comprehensive loss		**(533,963)**	(43,004,132)
Earnings (loss) per share			
Basic earnings (loss) per share	19	**0.09**	(0.27)
Diluted earnings (loss) per share	19	**0.09**	(0.27)

The accompanying notes are an integral part of the consolidated financial statements.

The Lion Electric Company
Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(In US dollars, except for number of shares)

	Notes	Number of shares	Share capital	Contributed surplus	Conversion options	Deficit	Cumulative translation adjustment	Total equity
			$	$	$	$	$	$
Balance at January 1, 2022		**190,002,712**	**418,709,160**	**122,637,796**	**—**	**(169,755,726)**	**(2,909,396)**	**368,681,834**
Share-based compensation	**16**	**—**	**—**	**12,349,758**	**—**	**—**	**—**	**12,349,758**
Shares issued pursuant to exercise of stock options and warrants	**14, 16**	**45,421**	**625,688**	**(621,890)**	**—**	**—**	**—**	**3,798**
Issuance of shares though "at-the-market" equity program	**22**	**8,346,789**	**29,351,308**	**—**	**—**	**—**	**—**	**29,351,308**
Issuance of shares though the December 2022 Offering	**22**	**19,685,040**	**27,264,038**	**—**	**—**	**—**	**—**	**27,264,038**
Net earnings		**—**	**—**	**—**	**—**	**17,775,766**	**—**	**17,775,766**
Other comprehensive loss								
Foreign currency translation adjustment		**—**	**—**	**—**	**—**	**—**	**(18,309,729)**	**(18,309,729)**
Balance at December 31, 2022		**218,079,962**	**475,950,194**	**134,365,664**	**—**	**(151,979,960)**	**(21,219,125)**	**437,116,773**
Balance at January 1, 2021		110,551,314	32,562,541	—	1,472,520	(126,430,406)	(3,230,584)	(95,625,929)
Transfer from share-based compensation liability	**16**	—	—	130,276,188	—	—	—	130,276,188
Transfer of retractable common shares from liability		17,994,857	29,072,804	—	—	—	—	29,072,804
Share-based compensation	**16**	—	—	14,930,617	—	—	—	14,930,617
Shares issued pursuant to exercise of stock options and warrants	**14, 16**	1,505,110	23,693,949	(22,569,009)	—	—	—	1,124,940
Issuance of shares through private placement		20,040,200	196,255,491	—	—	—	—	196,255,491
Redemption of conversion option on convertible debt instruments		—	—	—	(1,472,520)	—	—	(1,472,520)
Issuance of shares upon business combination transaction		39,911,231	137,124,375	—	—	—	—	137,124,375
Net loss		—	—	—	—	(43,325,320)	—	(43,325,320)
Other comprehensive loss								
Foreign currency translation adjustment		—	—	—	—	—	321,188	321,188
Balance at December 31, 2021		190,002,712	418,709,160	122,637,796	—	(169,755,726)	(2,909,396)	368,681,834

The accompanying notes are an integral part of the consolidated financial statements.

The Lion Electric Company
Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(In US Dollars)

	Note	December 31, 2022	December 31, 2021
		$	$
OPERATING ACTIVITIES			
Net earnings (loss)		**17,775,766**	(43,325,320)
Non-cash items:			
Depreciation and amortization	**20**	**11,492,473**	5,544,175
Share-based compensation	**16**	**12,362,070**	71,081,047
Accretion expense on common shares, retractable	**17**	**—**	2,031,863
Accretion and revaluation expense on balance of purchase price payable related to the acquisition of the dealership rights	**17**	**82,850**	125,290
Accretion expense on convertible debt instruments	**17**	**—**	2,503,097
Gain on derecognition of the balance of purchase price payable related to the acquisition of the dealership rights	**17**	**(2,130,583)**	—
Change in fair value of share warrant obligations	**14**	**(101,468,186)**	(85,795,903)
Unrealized foreign exchange loss (gain)		**821,424**	17,973
Net change in non-cash working capital items	**20**	**(58,488,611)**	(83,150,851)
Cash flows used in operating activities		**(119,552,797)**	(130,968,629)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(129,573,638)**	(19,825,006)
Addition to intangible assets		**(78,284,126)**	(44,956,423)
Disposition of property, plant and equipment		**24,413**	—
Government assistance related to property, plant and equipment and intangible assets		**3,226,696**	2,182,923
Cash flows used in investing activities		**(204,606,655)**	(62,598,506)
FINANCING ACTIVITIES			
Net change in credit facilities		**—**	(19,188,863)
Loans on research and development tax credits receivable and subsidies receivable		**22,233,751**	2,934,384
Repayment of loans on research and development tax credits and subsidies receivable		**(9,926,471)**	(2,829,254)
Increase in long-term debt and other debts		**89,342,762**	15,775,473
Repayment of long-term debt and other debts		**(422,423)**	(41,611,760)
Repayment of convertible debt instruments	**13**	**—**	(23,903,068)
Payment of lease liabilities	**8**	**(4,977,183)**	(2,093,371)
Proceeds from issuance of shares through private placement, net of issuance costs		**—**	196,255,491
Proceeds from issuance of shares through "at-the-market" equity program	**22**	**29,351,308**	—
Proceeds from the issuance of shares through the December 2022 Offering - Warrants	**14**	**19,913,196**	—
Proceeds from the issuance of shares through the December 2022 Offering - Common Shares	**22**	**27,264,038**	—
Proceeds from the issuance of shares through exercise of stock options and warrants	**14, 16**	**23,173**	1,124,940
Proceeds from issuance of shares through business combination transaction		**—**	308,232,870
Cash flows from financing activities		**172,802,151**	434,696,842
Effect of exchange rate changes on cash held in foreign currency		**(2,077,744)**	663,399
Net (decrease) increase in cash		**(153,435,045)**	241,793,106
Cash (bank overdraft), beginning of year		**241,702,030**	(91,076)
Cash, end of year		**88,266,985**	241,702,030
Other information on cash flows related to operating activities:			
Income taxes paid		**—**	—
Interest paid		**2,386,930**	5,722,466
Interest paid under lease liabilities		**3,162,932**	443,740

The accompanying notes are an integral part of the consolidated financial statements.

1 - REPORTING ENTITY AND NATURE OF OPERATIONS

The principal activities of The Lion Electric Company ("Lion" or the "Company") and its subsidiaries (together referred to as the "Group") include design, development, manufacturing and distribution of purpose-built all-electric medium and heavy-duty urban vehicles including battery systems, chassis, bus bodies and truck cabins. The Group also distributes truck and bus parts and accessories.

The Company is incorporated under the Business Corporations Act (Quebec) and is the Group’s ultimate parent company. Its registered office and principal place of business is 921, chemin de la Riviere-du-Nord, Saint-Jerome, Quebec, Canada. These audited consolidated financial statements ("consolidated financial statements") are as at December 31, 2022 and 2021 and for the fiscal years ended December 31, 2022 and 2021 and include the accounts of the Company and its subsidiaries. The Company is a publicly listed entity, and its shares are traded on the Toronto Stock Exchange and New York Stock Exchange under the symbol LEV.

2 - BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and are expressed in United States ("US") dollars for reporting purposes.

These consolidated financial statements have been approved for issue by the Board of Directors on March 9, 2023.

3 - SUMMARY OF ACCOUNTING POLICIES

3.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at December 31, 2022, as summarized below. These were used throughout all periods presented in the consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements includes the accounts of the Company and its wholly-owned subsidiaries as of December 31, 2022. All subsidiaries have a reporting date of December 31. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

Amounts reported in the consolidated financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company’s principal subsidiaries, their jurisdiction of incorporation, and the Company’s percentage ownership share of each are as follows:

Subsidiary	Jurisdiction of Incorporation	Ownership percentage
Lion Holding USA Inc.	Delaware	100%
Northern Genesis Acquisition Corp.	Delaware	100%
The Lion Electric Co USA Inc.	Delaware	100%
Lion Electric Manufacturing USA Inc.	Delaware	100%

3.3 Changes in classification and presentation

Prepaid expenses and other non-current assets

During the fiscal year ending December 31, 2022, the Group changed the classification of a portion of the assets previously included in prepaid expenses, subsequently renamed prepaid expenses and other current assets, to other non-current assets. This classification change was made to better reflect the nature of those assets and their maturity period. This classification change was applied retroactively and the comparative figures for the fiscal year ended December 31, 2021 were adjusted to reflect this change without impact on net loss and net loss per share.

The table below shows, for the impacted line items only, the previously published figures, the adjustment stemming from this change, and the adjusted figures:

	Published	**Adjustment**	**December 31, 2021 adjusted**
	$	**$**	**$**
Prepaid expenses and other current assets	5,440,461	(793,298)	4,647,163
Other non-current assets	—	793,298	793,298

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in classification and presentation (continued)

Lease Liability

During the fiscal year ending December 31, 2022, the Group changed its classification of the lease liabilities between the current portion of lease liabilities and the non-current portion of the lease liability in the consolidated statements of financial position. This classification change was made to better reflect the maturity of those obligations. This classification change was applied retroactively and the comparative figures for the fiscal year ended December 31, 2021 were adjusted to reflect this change without impact on net loss and net loss per share.

The table below shows, for the impacted line items only, the previously published figures, the adjustment stemming from this change and the adjusted figures:

	Published	Adjustment	December 31, 2021 adjusted
	$	$	$
Current portion of lease liabilities	7,728,923	(3,037,579)	4,691,344
Lease liabilities	54,480,394	3,037,579	57,517,973

3.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in US dollars. The functional currency of the parent company and its subsidiaries is the Canadian dollar, except for Northern Genesis Acquisition Corp., The Lion Electric Co USA Inc., and Lion Electric Manufacturing USA Inc., whose functional currencies are the US dollar. The functional currency of The Lion Electric Co USA Inc., was changed to the US dollar effective January 1, 2022. This change was made to reflect the fact that the US has become the primary economic environment in which the entity operates. Over time, the US dollar's influence on sales prices and costs has increased. In addition, financing of the subsidiary is denominated in US dollars. The change was implemented prospectively. The functional currency of the remaining entities in the Group has remained unchanged during the reporting periods.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the consolidated statement of earnings (loss).

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign currency translation (continued)

Foreign currency transactions and balances (continued)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The Group's Canadian dollar financial statements are translated to US dollars as follows: assets and liabilities are translated at the closing rate in effect at the reporting date and income and expenses are translated at the average exchange rate for the period. The share capital account is translated at rates in effect at the time of issuance/redemptions. Exchange gains or losses resulting from the translation of the Group's accounts into the reporting currency are reported as foreign currency translation adjustment within other comprehensive loss and presented as a separate component of shareholders' equity under cumulative translation adjustment.

3.5 Revenue

The Group's principal sources of revenue are the sale of all-electric medium and heavy-duty urban vehicles. The Group also enters into sales contracts for other products including energy infrastructure, vehicle parts, and related services.

To determine whether to recognize revenue, the Group follows a 5-step process:

- identifying the contract with a customer;
- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations; and
- recognizing revenue when/as performance obligation(s) are satisfied.

The Group recognizes revenue in the amount of consideration it will receive for delivering a product or a service to a customer. Revenue is recognized at a point in time, when the Group satisfies its performance obligations by transferring control of the goods to its customers or provides the service, which generally occur when the goods are delivered to the customers and when the customer confirms acceptance.

Control is generally transferred when the customer has the ability to direct the use and obtain substantially all of the remaining benefit, which is upon shipment, or when the product has been completed, is ready for delivery, and title has transferred to the customer.

The Group provides a warranty for its products against defects for periods varying from one year to eight years for certain components. An allowance for warranty expense is recorded when the revenue for the related product is recognized. The allowance is based upon the terms of the warranty, the Group's historical experience and management estimates of future expenses for replacement or repairs. The corresponding expense is recorded in cost of goods sold.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.6 Cost of sales and gross profit

Cost of sales includes all raw material costs, direct parts, material and labor costs, manufacturing conversion costs, including depreciation costs of manufacturing equipment such as tooling and machinery, inter-facility transportation and logistic costs, amortization of product development costs, outbound freight to customers, and reserves for estimated warranty expenses. Cost of sales also includes the cost of purchasing finished goods for resale, costs relating to purchasing, receiving and inspection activities, warehousing costs, product engineering costs, insurance related to manufacturing activities, customs and duties, adjustments to warranty expense, as well as charges to write down the carrying value of inventory when it exceeds its estimated net realizable value and to provide for obsolete and on-hand inventory in excess of forecasted demand. Gross profit is the result of revenue less cost of sales.

3.7 Administrative expenses

Administrative expenses consist share-based compensation, as well as employee benefits for management, information technology, human resources, accounting, legal, investor relations, and other general administrative functions. Administrative expenses also include professional fees, non-manufacturing depreciation expense, and non-manufacturing related insurance costs (including director and officer insurance). Administrative expenses are recognized in the consolidated statement of earnings (loss) upon utilization of the service or at the date of their origin.

3.8 Selling expenses

Selling expenses consist of salaries and other similar expenses related to Lion’s bus and truck sales force and employee benefits costs, share-based compensation, business development, aftermarket sales, non-manufacturing depreciation expense, and advertising, marketing, and communications. Selling expenses are recognized in the consolidated statement of earnings (loss) upon utilization of the service or at the date of their origin.

3.9 Employee benefits

Employee benefits include wages, salaries, fringe benefits, commissions, compensated absences, and bonuses. These short-term benefits are recognized in cost of sales, administrative expenses, and selling expenses as the services are provided.

3.10 Transaction costs

Transaction costs consist of banking, legal, and other professional fees incurred in connection with the NGA business combination.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.11 Finance costs

Finance costs consists primarily of interest paid on Lion’s outstanding debts, legal and other costs related to debt and share warrant financing activities, interest on lease liabilities, interest on convertible debt instruments as well as non-cash accretion expenses on retractable common shares, and non-cash accretion and revaluation expenses on the balance of purchase price payable related to the acquisition of dealership rights.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs ceases when the asset is completed and available for use. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short- term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. As at December 31, 2022 and 2021, the Company only held cash.

3.14 Accounts receivable

Accounts receivable includes amounts due from customers in the normal course of business as well as refundable tax credits and grants under government programs. The payments are generally received within a year.

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost, less impairment. The Group maintains an allowance for expected credit loss based on collection history and customer specific credit risk in accordance with the expected credit loss model. Accounts receivables are presented net of allowance for credit losses.

3.15 Inventories

Finished goods, work in process, and raw material inventories are valued at the lower of cost and net realizable value. Cost is determined using the specific identification cost method for finished goods and work in process, while the cost of raw materials is determined using the weighted average cost method. Supplier rebates are deducted to determine the cost of purchase.

The cost of inventories includes all purchase, conversion and other costs incurred to bring the inventories to their present location and condition and include the purchase price and other costs directly related to the acquisition of raw materials and the cost of purchased finished goods. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labor, and a systematic allocation of fixed and variable production overhead, including manufacturing depreciation expense.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.15 Inventories (continued)

The allocation of fixed production overhead to the cost of inventories is based on the normal capacity of the production facilities. Costs incurred as a result of operating below the normal capacity of the production facilities are excluded from the carrying value of inventories and charged directly to cost of sales. Normal capacity is the average production expected to be achieved during the fiscal year, under normal circumstances.

The net realizable value represents the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Raw materials and work in progress inventories are not written down if the finished products in which they will be incorporated are expected to be sold at or above cost. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the year in which the reversal occurs.

3.16 Property, plant and equipment

Property, plant and equipment are initially recorded at cost, net of government grants, and are subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses. The costs of an item of property, plant, and equipment includes any expenditures directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labor, site preparation costs, initial delivery and handling costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management.

Property, plant and equipment, less their estimated residual values, are depreciated over their estimated useful lives using the straight-line method. The following estimated useful lives are applied:

Leasehold improvements	Earlier of useful life or remaining lease term
Machinery and equipment	7,000 units or 5 years
Rolling stock	5 years
Computer equipment	5 years
Furniture and office equipment	10 years
Production moulds	1,250 units
Master patterns and templates	7,000 units
Prototypes	3 years

The Group begins to depreciate property, plant and equipment when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.16 Property, plant and equipment (continued)

Consequently, construction in progress is not amortized and is subject to impairment testing if there is any indication that it may be impaired (see Note 3.19). The estimated residual values, estimated useful lives and depreciation methods are reviewed annually by the Company and any change resulting from this evaluation is applied as a change in estimate and is accounted for on a prospective basis.

3.17 Leased assets

At the inception of contracts, the Group assesses whether a contract is, or contains a lease by assessing if the contract, or part of the contract, conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To determine if this is achieved, the Group assesses the following key factors:

– whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

– whether the Group has the right to direct the use (how and for what purpose) of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

Short-term or low value leases

The Group has elected to recognize leases that have a lease term of 12 months or less and leases of low-value assets as an expense on a straight-line basis over the lease term.

All other leases

At a lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist in accordance with *IAS 36 Impairment of assets*.

The lease liability is measured at the present value of the remaining lease payments at the date of recognition, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.17 Leased assets (continued)

Measurement and recognition of leases as a lessee (continued)

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

The lease liability is subsequently measured by reducing the carrying amount to account for payments made and increasing the carrying amount to account for accretion expense. The accretion expense is presented within finance cost in the consolidated statement of earnings (loss) over the lease period.

The lease liability is remeasured when there are changes to the lease terms resulting from a change in the Group's assessment of whether the Group will exercise a purchase, extension, or termination option, or when there is a change in the future lease payments resulting from a change in an index or rate, or change in the Group's estimate of the amount expected to be payable under residual value guarantees. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or consolidated statement of earnings (loss) if the right-of-use asset is already fully depreciated.

3.18 Intangible assets

Initial recognition

Dealership rights with an indefinite useful life

Dealership rights with an indefinite useful life are recorded initially at cost and are not amortized. As the acquisition of dealership rights was based on future sales of a specific product, the Group has elected to measure the cost based on a financial liability model, whereby the fair value of all variable payments under the contract are recorded on initial recognition of the asset with a corresponding liability. Any re-measurements of the related liability are recognized in earnings (loss). The cost also includes any directly attributable costs of acquisition. Directly attributable costs include professional fees arising directly from bringing the asset to its working conditions.

Dealership rights are subject to asset impairment testing as described below. The useful life is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

Acquired Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18 Intangible assets (continued)

Initial recognition (continued)

Internally developed intangible assets

Expenditures on the research phase are recognized as an expense as incurred. Costs that are directly attributable to an electric vehicle project's development phase and costs incurred on software development projects are recognized as intangible assets, provided they meet the following recognition requirements:

– the development costs can be measured reliably;

– the project is technically and commercially feasible;

– the Group intends to and has sufficient resources to complete the project;

– the Group has the ability to use or sell the intangible assets; and

– the intangible assets will generate probable future economic benefits.

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs include employee costs incurred along with an appropriate portion of relevant overheads and subcontractors fees.

Subsequent measurement

All finite-live intangible assets are stated at cost, less accumulated amortization and impairment losses. Finite-live intangible assets, less their estimated residual value, are amortized over their estimated useful lives using the straight-line method. The following estimated useful lives are applied:

Software	5 years
Development costs	7,000 units

The estimated residual values, estimated useful lives and amortization methods are reviewed annually by the Group and any change resulting from this evaluation applied as a change in estimates accounted on a prospective basis. In addition, they are subject to impairment testing as described below.

3.19 Impairment testing of intangible assets, property, plant and equipment and right-of-use assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Cash-generating units to which intangible assets with indefinite useful lives have been allocated (determined by the Group’s management as being equivalent to its operating segments) are tested for impairment at least annually.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.19 Impairment testing of intangible assets, property, plant and equipment and right-of-use assets (continued)

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.20 Government incentive and assistance

Government incentives and assistance related to current expenses is accounted for as a reduction of related expenses while incentive and assistance related to the acquisition of non-current assets is accounted for as a reduction of the related non-current assets.

Government incentives and assistance is accrued in the year in which the current expenses or the capital expenditures are incurred, provided that the Group is reasonably certain that it will be received.

3.21 Research and development tax credits

Tax credits related to current expenses are accounted for as a reduction of related expenses while tax credits related to the acquisition or development of non-current assets are accounted for as a reduction of the related non-current assets.

Reimbursable tax credits are accrued in the year in which the expenditures are incurred, provided that the Group is reasonably certain that the credits will be received. The tax credits must be examined and approved by the tax authorities and it is possible that the amounts subsequently granted will differ from the amounts initially recorded.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.22 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial Assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, are classified into the following categories:

– amortized cost;

– fair value through profit or loss (FVTPL);

– fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorized as FVTPL or FVOCI.

The classification is determined by both:

– the entity’s business model for managing the financial asset;

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in the consolidated statement of earnings (loss) are presented within finance costs, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.22 Financial instruments (continued)

Subsequent measurement of financial assets (continued)

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash, trade receivables and incentives and other government assistance receivable are classified within this category.

Impairment of financial assets

The Group uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group accounts for the expected credit losses using the simplified approach over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the account receivable, the general condition of the economy and a current as well as expected appreciation of the condition prevailing at the statement of financial position date, including the time value of the money, if any.

Classification and measurement of financial liabilities - amortized cost

The Group's financial liabilities measured at amortized cost include trade and other payables (excluding non-financial liabilities) and long-term debt and other debts.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement of earnings (loss) are included within finance costs

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3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.22 Financial instruments (continued)

Classification and measurement of financial liabilities - FVTPL - warrants

The Group determined that the warrants, including the warrants issued to a customer, the public warrants and the private warrants issued as part of a business combination transaction and the public warrants issued as part of the December 2022 Offering are derivative instruments and should be classified as a liability in accordance with IAS 32 - Financial Instruments: Presentation and IFRS 9 - Financial Instruments and are measured at FVTPL. Derivative and financial liabilities designated at FVTPL are carried subsequently at fair value with gains or losses recognized in the consolidated statement of earnings (loss).

Warrants issued to a customer

The vested portion of the warrants issued to a customer is initially recorded at fair value and then revalued at each reporting date with a corresponding contract asset recognized at inception. The corresponding contract asset is amortized as a reduction of revenues on a percentage per dollar of revenue generated with the customer and its affiliates.

The unvested portion of the warrant represents a retrospective volume discount based on specified levels of spending by the customer and its affiliates. Revenues will be recognized based on the prices specified in the work orders, net of the estimated value of the volume discount based on the portion of the warrant expected to vest using the fair value at inception. At each reporting date, the Group will review experience, current information on expected orders from the customer and its affiliates and the potential impact of other reasonably foreseen constraints will be used to estimate and provide for the discount, using the expected value method, and revenue will only be recognized to the extent that it is highly probable that a significant reversal will not occur.

Private and public warrants

The warrants are initially recorded at fair value and then revalued at each reporting date.

Estimating fair value requires determining the most appropriate valuation model which captures the significant features of the financial instruments. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating such warrants are disclosed in Note 14.

Compound financial instruments

The component parts of compound financial instruments (convertible debt instruments) issued by the Group are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non-convertible instruments.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.22 Financial instruments (continued)

Compound financial instruments (continued)

Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity. The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debt instruments will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debt instruments, the equity component of the convertible debt instruments will be transferred to another equity account. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debt instruments are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debt instruments using the effective interest method.

3.23 Share-based employee remuneration

Stock options granted prior to May 6, 2021

Stock options granted prior to May 6, 2021 were measured at fair value at grant date using the Black-Scholes option pricing model. The fair value of the stock options was recognized as an expense over the vesting period with a corresponding increase to liability, because the Group could have been required to settle the options in cash. The liability was re-measured to fair value at each reporting date with changes in fair value recognized in net earnings (loss), and was recorded on the Group's consolidated statement of financial position under the caption share-based compensation liability, current for vested options and non-current for non-vested options. As of May 6, 2021, the cash settlement option in the Group’s stock option plan was removed.

Stock options and restricted share units granted subsequent to May 6, 2021

Stock options and restricted share units ("RSUs") are equity settled share-based payments, which are measured at fair value at the grant date. For stock options, the compensation cost is measured using the Black-Scholes option pricing model and is expensed over the award's vesting period. For RSUs, compensation cost is measured at the fair value of the underlying common share at the grant date and is expensed over the award's vesting period. RSUs can be settled in cash based on the Company’s share price on the vesting date, or through the delivery of common shares issued from treasury or purchased on the open market, at the Company's option. RSUs are expected to be settled in common shares purchased on the open market.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.23 Share-based employee remuneration (continued)

Stock options and restricted share units granted subsequent to May 6, 2021 (continued)

Compensation expense is recognized in net earnings (loss) with a corresponding increase in contributed surplus. The measurement of compensation expense for stock options and RSUs is net of estimated forfeitures. Any consideration paid by plan participants on the exercise of stock options is credited to share capital. Upon the exercise of stock options or the vesting of RSUs, the corresponding amounts previously credited to contributed surplus are transferred to share capital. Stock options and RSUs that are dilutive are considered in the calculation of diluted earnings per share, as per Note 19 to these consolidated financial statements.

Deferred share unit plan

The Company has a deferred share unit plan for independent members of the Company's Board of Directors, who receive a portion of their compensation in the form of deferred share units ("DSUs"). These DSUs are equity settled awards and are fully recognized in net earnings (loss) based on the fair value of the underlying common shares at the grant date.

3.24 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

3.25 Income taxes

Tax expense recognized in the consolidated statement of earnings (loss) comprises the sum of deferred tax and current tax not recognized directly in equity.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.25 Income taxes (continued)

The calculation of current tax and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group’s forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognized in full, although IAS 12, Income Taxes, specifies limited exemptions. As a result of these exemptions the Group does not recognize deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries. The Group does not offset deferred tax assets and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

3.26 Share Capital

Common shares are classified as share capital within equity. Incremental costs directly attributable to the issuance of share are recognized as a deduction from share capital, net of any tax effect.

Contributed surplus is used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon the exercise of stock options and the vesting of RSUs and DSUs, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

Deficit includes all current and prior year losses. All transactions with owners of the parent company are recorded separately within equity.

Cumulative translation adjustment comprises foreign currency translation differences arising from the translation of the consolidated financial statements of the Group into the US dollar, the presentation currency.

Conversion options on convertible debt instruments represents the equity component of compound financial instruments.

3.27 Earnings per share

Basic earnings (loss) per share ("EPS") are calculated by dividing the net earnings (loss) available to common share shareholders by the weighted average number of share outstanding during the year.

Diluted earnings (loss) per share are calculated by adjusting the weighted average of shares outstanding during the year to include the weighted average number of shares that would be issued upon the conversion of all potential dilutive warrants, stock options, RSUs, and DSUs into common shares.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.28 Segment reporting

The Group has only one operating segment: the manufacturing and sale of electric vehicles in Canada and the United States. The Group has one operating segment based on Lion’s operational structure and decision process for allocation of resources.

3.29 Significant management judgements in applying accounting policies and estimation uncertainty

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Accounting treatment of business combination

The Company treated the Transaction (as defined in Note 4) as a capital transaction equivalent to the issue of shares of the Company in exchange for the net monetary assets of NGA. The Transaction did not constitute a business combination as defined under IFRS 3, Business Combinations, as NGA is a non-operating entity that does not meet the definition of a business under IFRS 3. Accordingly, upon consummation of the Transaction, each outstanding share of NGA’s common stock held by an NGA stockholder was exchanged into one newly issued common share of the Company and each outstanding warrant to purchase shares of NGA’s common stock was converted into a warrant to acquire one common share of the Company, at a price of $11.50 per share. Such warrants are classified as a liability and are measured at fair value. Judgement was used in determining the accounting treatment of the Transaction and the classification of the warrants.

Capitalization of internally developed intangible assets

Distinguishing the research and development phases of a new customized project and determining whether the recognition requirements for the capitalization of development costs are met require judgement. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group’s future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.29 Significant management judgements in applying accounting policies and estimation uncertainty (continued)

Estimation uncertainty (continued)

Tax credits receivable

The calculation of the Group's tax credits receivable involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received or applied against income taxes otherwise payable.

Impairment of non-financial assets

Management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Leases

Recognizing leases requires judgement and use of estimates and assumptions. Judgement is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and computer equipment. Technical obsolescence also can affect development costs as technology evolve.

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Fair value measurement

Management uses various valuation techniques to determine the fair value of financial instruments, where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.29 Significant management judgements in applying accounting policies and estimation uncertainty (continued)

Estimation uncertainty (continued)

Fair value measurement (continued)

Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share-based compensation and private share warrant obligation

Management assesses the fair value of stock options and the private share warrant obligation using the Black-Scholes valuation model. The Black-Scholes model requires management to make estimates and assumptions with respect to inputs including the risk-free interest rate, volatility and expected option or warrant life.

3.30 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Amendments to IAS 1, Presentation of Financial Statements

On July 14, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and will be required to be applied retrospectively. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgement

On February 11, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgement, to provide guidance in determining which accounting policy to disclose. The amendments require entities to disclose material accounting policies rather than significant policies. The amendments clarify that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.30 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group (continued)

Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgement (continued)

In assessing the materiality of accounting policy information, entities need to consider both size of the transaction, other events or conditions and the nature of them, even if the related amounts are immaterial. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and will be required to be applied prospectively. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 8, Accounting Policies, Change in Accounting Estimates and Errors

On February 11, 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how to distinguish change in accounting policies, which must be applied retrospectively, from change in accounting estimate, which are accounted for prospectively. The amendments clarify the definition of accounting estimates as "monetary amounts in the financial statements that are subject to measurement uncertainty". The amendments clarifies that a change in accounting estimate is a change in input or a change in a measurement technique used to develop an accounting estimate, if they do not result in the correction of a prior period error. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on of after the start of that period. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

Amendments to IAS 12, Income Taxes

On May 6, 2021, the IASB released Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12). The amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The objective of this amendment is to narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12, so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognized for the temporary differences are the same. The amendments will become effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company has determined that the adoption of this amendment will not have a significant impact on its consolidated financial statement as of the date of adoption.

3 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.30 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group (continued)

Amendments to IFRS 16, Leases

On September 22, 2022, the IASB issued an amendment to IFRS 16, Leases to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments will become effective for annual reporting periods beginning on or after January 1, 2024 and will be applied retrospectively. Earlier application is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

At the date of authorization of these consolidated financial statements, several other new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

4 - BUSINESS COMBINATION, PLAN OF REORGANIZATION AND REGISTRATION STATEMENT

On May 6, 2021, the Company successfully completed its business combination and plan of reorganization (the "Transaction") with Northern Genesis Acquisition Corp. ("NGA"), which was announced on November 30, 2020.

The Company treated the Transaction as a capital transaction equivalent to the issue of shares of the Company in exchange for the net monetary assets of NGA. The Transaction did not constitute a business combination as defined under IFRS 3, Business Combinations, as NGA is a non-operating entity that does not meet the definition of a business under IFRS 3. Accordingly, upon consummation of the Transaction, each outstanding share of NGA's common stock held by a NGA stockholder was exchanged into one newly issued common share of the Company and each outstanding warrant to purchase shares of NGA's common stock was converted into a warrant to acquire one common share of the Company (a "Business Combination Warrant"), at a price of $11.50 per share. A total of 39,911,231 common shares were issued in exchange for the NGA common stock outstanding and 27,111,741 NGA warrants were converted into 27,111,741 Business Combination Warrants. Such Business Combination Warrants are classified as a liability and are measured at fair value. As a result, the Company consolidated the following as at the date of closing of the Transaction:

- Cash of $308,232,870
- Trade and other payables of $1,655,636
- Issued warrant liabilities with a fair value of $169,452,859
- Issued share capital of $137,124,375

4 - BUSINESS COMBINATION, PLAN OF REORGANIZATION AND REGISTRATION STATEMENT (CONTINUED)

As part of the closing of the Transaction, the Company filed articles of amendment and consolidation whereby such articles provided, amongst other things, for the creation of an unlimited number of preferred shares and a stock split of 1:4.1289 becoming effective on May 6, 2021. Accordingly, all shares, stock options, warrants and per share information presented in these consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

In addition to the closing of the Transaction, a concurrent private placement for the issuance of 20,040,200 common shares (post share split) also closed for gross proceeds of $200,402,000 (or $10.00 per share), for net proceeds of $196,255,491 after the deduction of share issue costs.

17,994,857 retractable common shares having a carrying amount of $29,072,804 as at May 6, 2021 related to a repurchase (put) right in favor of shareholders were reclassified from non-current liabilities to equity at the closing of the Transaction, as the Company’s unanimous shareholders’ agreement was terminated in accordance with its terms effective as of closing of the Transaction and such repurchase rights did not become exercisable at or before the closing of the Transaction.

In connection with the Transaction, the Company also repaid its non-revolving term loans and revolving credit facility advances owed to the National Bank of Canada, and its convertible debt instruments with Investissement Quebec.

In conjunction with the Transaction, the Company filed a F-4 registration statement and subsequent amendments with the Securities and Exchange Commission as well as a non-offering prospectus with the Canadian securities regulators and upon consummation of the Transaction and effective May 7, 2021, the Company was listed on the New York Stock Exchange and the Toronto Stock Exchange.

Transaction costs of $13,654,851 were incurred directly related to the completion of the Transaction and were mainly composed of legal, banking, and other professional fees.

5- ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	December 31, 2022	December 31, 2021
	$	$
Trade receivables, gross	**25,935,309**	25,373,946
Allowance for credit losses	**(250,439)**	—
Trade receivables, net	**25,684,870**	25,373,946
Incentives and other government assistance receivable (Note 5.1)	**25,312,738**	4,807,757
Financial assets	**50,997,608**	30,181,703
Commodity taxes receivable	**4,557,779**	2,791,995
Other tax credits receivable	**—**	38,650
Research and development tax credits receivable	**7,416,155**	4,886,737
Non-financial assets	**11,973,934**	7,717,382
	62,971,542	37,899,085

All amounts are considered short-term. The net carrying value of trade receivables is considered a reasonable approximation of their fair value.

As of December 31, 2022, amounts owing from two customers represented 19.19% and 15.24%, respectively, of the total trade accounts receivable (four customers represented 15.77%, 13.51%, 10.98% and 10.02%, respectively, as of December 31, 2021).

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5- ACCOUNTS RECEIVABLE (CONTINUED)

5.1 Incentives and other governance assistance receivable

Incentives and other governance assistance receivable consist of the following:

	December 31, 2022	December 31, 2021
	$	$
Transport Canada Medium and Heavy-duty Zero-Emission Vehicles ("iMHZEV") Program	**5,020,673**	—
U.S. Environmental Protection Agency ("EPA") School Bus Program	**3,767,713**	—
Government of Quebec Ecocamionnage program	**4,118,060**	—
Ministry of Transportation of Quebec Programme d'électrification du transport scolaire ("PETS")	**11,425,724**	3,904,401
Other government assistance and incentives receivable	**980,568**	903,356
Incentives and other government assistance receivable	**25,312,738**	4,807,757

6- INVENTORIES

Inventories consist of the following:

	December 31, 2022	December 31, 2021
	$	$
Raw materials	**135,656,954**	97,094,671
Work in process	**22,809,755**	14,122,704
Finished goods	**8,725,226**	4,761,604
	167,191,935	115,978,979

The cost of inventories recognized as expense during the year totals $144,405,153 ($55,597,004 in 2021) and was recognized in the cost of sales in the consolidated statements of earnings (loss).

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7 - PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Leasehold improvements	Machinery and equipment	Rolling stock	Computer equipment	Furniture and office equipment	Production moulds	Master patterns and templates	Prototypes	Construction in progress	Total
	$	$	$	$	$	$	$	$	$	$
GROSS CARRYING AMOUNT										
Balance at January 1, 2022	**17,054,605**	**6,421,141**	**1,308,726**	**2,992,982**	**513,344**	**1,462,683**	**965,937**	**78,709**	**5,301,919**	**36,100,046**
Additions	**35,455,356**	**52,807,971**	**1,317,358**	**4,745,673**	**529,882**	**1,978,942**	**433,228**	**135,627**	**38,118,683**	**135,522,720**
Additions - Borrowing Costs	**—**	**515,919**	**—**	**—**	**—**	**—**	**—**	**—**	**1,034,749**	**1,550,668**
Transfer	**462,435**	**67,455**	**—**	**—**	**—**	**—**	**—**	**—**	**(529,890)**	**—**
Disposal	**—**	**—**	**(83,130)**	**—**	**—**	**—**	**—**	**—**	**—**	**(83,130)**
Foreign currency translation adjustment	**(283,682)**	**(1,645,931)**	**(11,182)**	**(268,060)**	**(32,515)**	**(137,567)**	**(71,803)**	**(12,164)**	**(1,815,403)**	**— (4,278,307)**
Balance at December 31, 2022	**52,688,714**	**58,166,555**	**2,531,772**	**7,470,595**	**1,010,711**	**3,304,058**	**1,327,362**	**202,172**	**42,110,058**	**168,811,997**
DEPRECIATION										
Balance at January 1, 2022	**1,618,691**	**343,839**	**224,406**	**758,100**	**96,809**	**246,449**	**64,885**	**78,709**	**—**	**3,431,888**
Depreciation	**1,339,208**	**1,581,078**	**278,078**	**781,479**	**57,878**	**864,400**	**81,543**	**54,428**	**—**	**5,038,092**
Disposal	**—**	**—**	**(58,142)**	**—**	**—**	**—**	**—**	**—**	**—**	**(58,142)**
Foreign currency translation adjustment	**(143,316)**	**(84,398)**	**(6,726)**	**(74,912)**	**(7,735)**	**(37,141)**	**(6,440)**	**4,499**	**—**	**(356,169)**
Balance at December 31, 2022	**2,814,583**	**1,840,519**	**437,616**	**1,464,667**	**146,952**	**1,073,708**	**139,988**	**137,636**	**—**	**8,055,669**
Carrying amount December 31, 2022	**49,874,131**	**56,326,036**	**2,094,156**	**6,005,928**	**863,759**	**2,230,350**	**1,187,374**	**64,536**	**42,110,058**	**160,756,328**
GROSS CARRYING AMOUNT										
Balance at January 1, 2021	1,966,151	1,988,193	407,579	1,294,565	488,489	416,858	525,953	78,370	—	7,166,158
Additions	15,102,271	4,186,427	905,507	1,702,475	303,078	1,051,343	440,320	—	5,336,280	29,027,701
Transfers	—	283,185	—	—	(283,185)	—	—	–	—	—
Foreign currency translation adjustment	(13,817)	(36,664)	(4,360)	(4,058)	4,962	(5,518)	(336)	339	(34,361)	(93,813)
Balance at December 31, 2021	17,054,605	6,421,141	1,308,726	2,992,982	513,344	1,462,683	965,937	78,709	5,301,919	36,100,046

DEPRECIATION										
Balance at January 1, 2021	774,384	96,356	120,439	363,142	125,071	114,635	46,954	78,370	—	1,719,351
Depreciation	847,151	165,129	104,269	396,321	54,747	132,470	17,890	—	—	1,717,977
Transfers	—	84,588	—	—	(84,588)	—	—	—	—	—
Foreign currency translation adjustment	(2,844)	(2,234)	(302)	(1,363)	1,579	(656)	41	339	—	(5,440)
Balance at December 31, 2021	1,618,691	343,839	224,406	758,100	96,809	246,449	64,885	78,709	—	3,431,888
Carrying amount December 31, 2021	15,435,914	6,077,302	1,084,320	2,234,882	416,535	1,216,234	901,052	—	5,301,919	32,668,158

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7 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a. Incentives and other government assistance in the amount of $3,063,476 (nil in 2021) was recognized during the year as a reduction of property, plant and equipment, respectively, $1,931,179 related to machinery and equipment and $1,132,297 relates to construction in progress.

Depreciation was recognized-as follows in the consolidated statements of earnings (loss):

	2022	2021
	$	$
Cost of sales	**2,581,448**	315,489
Administrative expenses	**2,456,644**	1,402,488
	5,038,092	1,717,977

As at December 31, 2022, the Company had contractual purchase obligations outstanding of $29,433,998 for the acquisition of property, plant and equipment, compared to $35,102,660 as at December 31, 2021.

8 - LEASE OBLIGATIONS

The Group has entered into leases agreements for the rental of premises and rolling stock. The leases have an initial term of 1.1 to 40 years and some have a renewal option after their initial term. The lease terms are negotiated individually and encompass a wide range of different terms and conditions.

Right-of-use assets

	Premises	**Rolling stock**	**Total**
	$	**$**	**$**
Balance at January 1, 2022	**60,297,423**	**604,939**	**60,902,362**
Additions	**6,661,404**	**740,287**	**7,401,691**
Modifications	**(450,567)**	**10,670**	**(439,897)**
Depreciation expense	**(6,497,931)**	**(186,833)**	**(6,684,764)**
Foreign currency translation adjustment	**(635,198)**	**(35,840)**	**(671,038)**
Balance at December 31, 2022	**59,375,131**	**1,133,223**	**60,508,354**

	Premises	Rolling stock	Total
	$	$	$
Balance at January 1, 2021	7,353,957	144,767	7,498,724
Additions	56,006,523	568,498	56,575,021
Depreciation expense	(3,031,148)	(103,704)	(3,134,852)
Foreign currency translation adjustment	(31,909)	(4,622)	(36,531)
Balance at December 31, 2021	60,297,423	604,939	60,902,362

8 - LEASE OBLIGATIONS (CONTINUED)

Right-of-use assets (continued)

Depreciation was recognized as follows in the consolidated statements of earnings (loss):

	2022	2021
	$	$
Cost of sales	**1,348,589**	1,233,652
Administrative expenses	**278,995**	262,840
Selling expenses	**1,826,769**	1,109,521
Capitalized to property, plant and equipment	**3,230,411**	528,839
	6,684,764	3,134,852

Lease liabilities

	$
Balance at January 1, 2022	**62,209,317**
Additions	**7,401,691**
Lease payments	**(4,977,183)**
Modification	**(439,897)**
Foreign currency translation adjustment	**(673,713)**
Balance at December 31, 2022	**63,520,215**
Current portion	**5,210,183**
Non-current portion	**58,310,032**
Balance at January 1, 2021	7,719,108
Additions	56,575,021
Lease payments	(2,093,371)
Foreign exchange gain	(42,772)
Foreign currency translation adjustment	51,331
Balance at December 31, 2021	62,209,317
Current portion	4,691,344
Non-current portion	57,517,973

8 - LEASE OBLIGATIONS (CONTINUED)

Amounts recognized in administrative expenses in the consolidated statement of earnings (loss) are as follows:

	2022	2021
	$	$
Expense relating to variable lease payments, short-term leases and low-value assets not included in lease liabilities	1,159,705	27,942

See Notes 17 and 20 for information on interest expense on lease liabilities and Note 24 for contractual undiscounted payments related to lease liabilities.

Variable payments

Some leases for premises require repayment of a portion of the lessor's payments for property taxes, insurance and operating expenses such as power, maintenance, administration and security; these amounts vary based on the use and wear and tear of the space. The final lease payments are determined each year.

Renewal and termination options

Some leases include renewal or termination options that can be exercised at the Group's option. These options are used to maximize the operational flexibility of the Group's activities. These options are not reflected in measuring lease liabilities in many cases because the options are not reasonably certain to be exercised by the Group. The Group's practice is to ensure that space or rolling stock meets its needs, which evolve over time.

Residual value guarantee

The residual value guarantee expected to be payable as well as those not expected to be payable have been excluded from the lease liability calculation as they were not significant.

Leases not yet commenced

The Company has a commitment of $10,250,000 related to two signed equipment leases for Joliet plant production equipment which has not yet commenced.

9 - INTANGIBLE ASSETS

Details of the Group's intangible assets and their carrying amounts are as follows:

	Software	Development costs (a)	Dealership rights (b)	Total
	$	$	$	$
GROSS CARRYING AMOUNT				
Balance at January 1, 2022	**4,217,288**	**74,279,002**	**5,535,707**	**84,031,997**
Additions, separately acquired	**5,178,497**	**—**	**—**	**5,178,497**
Additions, internally developed	**1,258,813**	**70,331,615**	**—**	**71,590,428**
Additions, borrowing costs (Note 17)	**—**	**3,542,538**	**—**	**3,542,538**
Foreign currency translation adjustment	**(517,224)**	**(7,235,827)**	**(313,078)**	**(8,066,129)**
Balance at December 31, 2022	**10,137,374**	**140,917,328**	**5,222,629**	**156,277,331**
AMORTIZATION				
Balance at January 1, 2022	**1,177,575**	**954,592**	**—**	**2,132,167**
Amortization	**1,451,393**	**1,548,635**	**—**	**3,000,028**
Foreign currency translation adjustment	**(122,630)**	**(96,257)**	**—**	**(218,887)**
Balance at December 31, 2022	**2,506,338**	**2,406,970**	**—**	**4,913,308**
Carrying amount December 31, 2022	**7,631,036**	**138,510,358**	**5,222,629**	**151,364,023**

	Software	Development costs (a)	Dealership rights (b)	Total
	$	$	$	$
GROSS CARRYING AMOUNT				
Balance at January 1, 2021	2,152,616	35,672,946	5,463,882	43,289,444
Additions, separately acquired	1,369,776	—	—	1,369,776
Additions, internally developed	698,381	38,758,535	—	39,456,916
Additions, borrowing costs (Note 17)	—	31,850	—	31,850
Foreign currency translation adjustment	(3,485)	(184,329)	71,825	(115,989)
Balance at December 31, 2021	4,217,288	74,279,002	5,535,707	84,031,997
AMORTIZATION				
Balance at January 1, 2021	539,821	658,780	—	1,198,601
Amortization	640,321	295,239	—	935,560
Foreign currency translation adjustment	(2,567)	573	—	(1,994)
Balance at December 31, 2021	1,177,575	954,592	—	2,132,167
Carrying amount December 31, 2021	3,039,713	73,324,410	5,535,707	81,899,830

9 - INTANGIBLE ASSETS (CONTINUED)

a. Incentives and other government assistance in the amount of $2,373,217 ($4,474,977 in 2021) was recognized during the year as a reduction of development costs.
b. During the year ended December 31, 2019, in order to acquire dealership rights in certain territories in the United States, the Group entered into an agreement with a private company. Under the terms of this agreement, the Group had to pay a buy-out of $1,000,000 and an earn-out amount, total of both payments being limited to $6,000,000. This agreement was to mature on the earlier of the following dates: when the maximum amount of $6,000,000 was fully paid or on May 7, 2022, even if the maximum amount was not reached. The buy-out and the earn-out were payable by a schedule based on the sales of specific types of buses, in specific regions and for amounts that are stated in the agreement. As of December 31, 2022, the Group paid an amount of $3,778,203 ($3,433,203 as of December 31, 2021) under the agreement which was terminated on May 7, 2022.

   Upon initial recognition, the dealership rights were accounted for based on the financial liability model, whereby the fair value of all variable payments under the contract were recorded as the cost, with a corresponding liability within long-term debt (Note 12). The cost also included $778,697 of directly attributable fees to acquire the dealership rights.

   Dealership rights with an indefinite useful life are expected to provide economic benefits to the Group indefinitely as it allows the Group to sell to end customers in certain territories in the United States, conditional to yearly renewals of the dealer licenses. Management intends to renew its dealer licenses indefinitely.

Amortization has been allocated as follows in the consolidated statements of earnings (loss) :

	2022	2021
	$	$
Cost of sales	**1,548,636**	295,239
Administrative expenses	**1,451,392**	640,321
	3,000,028	935,560

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10 - FINANCIAL ASSETS AND LIABILITIES

10.1 Categories of financial assets and financial liabilities

The classification of financial instruments is summarized as follows:

	Classifications	**December 31, 2022**	December 31, 2021
		$	$
FINANCIAL ASSETS			
Cash	Amortized cost	**88,266,985**	241,702,030
Trade receivables	Amortized cost	**25,684,870**	25,373,946
Incentives and other government assistance receivable	Amortized cost	**25,312,738**	4,807,757
FINANCIAL LIABILITIES			
Trade and other payables	Amortized cost	**62,383,813**	33,343,630
Long-term debt and other debts	Amortized cost	**110,673,348**	13,077,670
Share warrant obligations	FVTPL	**23,243,563**	106,225,934

10.2 Fair value of financial instruments

Current financial instruments that are not measured at fair value on the consolidated statement of financial position are represented by trade receivables, incentives and other government assistance receivable, and trade and other payables (financial liabilities). Their carrying values are considered to be a reasonable approximation of their fair value because of their short-term maturity and / or contractual terms of these instruments.

As of December 31, 2022, the fair value of long-term debt and other debts based on discounted cash flows was not materially different from its carrying value because there was no material change in the assumptions used for fair value determination at inception, with the exception of the loan from Strategic Innovation Fund of the Government of Canada (Note 12.3) and from Investissement Quebec (Note 12.2). The combined carrying value of Strategic Innovation Fund of the Government of Canada and Investissement Quebec loans amounted to $16,571,800 while their combined fair value amounted to $15,026,548. The fair value of the long-term debt and other debts as at December 31, 2021 approximated the carrying amount.

As of December 31, 2022, the fair value of the warrants issued to a customer and the private Business Combination warrants was determined using the Black-Scholes option pricing model and the fair value of the public Business Combination warrants and December 2022 warrants (see Note 14) was determined using their market value.

10 - FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

10.2 Fair value of financial instruments (continued)

As at December 31, 2022, the impact of a 5.0% increase in the value of the Company's share price would have an impact of increasing the fair value of the private share warrants and the warrant issued to a customer with a corresponding decrease in consolidated earnings of $398,992 (December 31, 2021: increase in consolidated loss of $5,813,251) and a 5.0% decrease in the value would have an impact of increasing the earnings by $(374,263) (December 31, 2021: decrease in consolidated loss of $5,659,857). As at December 31, 2022, the impact of a 5.0% increase or decrease in the value of the Company's share price would have an impact of $1,007,825 on the fair value of the public warrants, with a corresponding impact on the consolidated earnings (December 31, 2021: $2,181,388).

10.3 Fair Value Hierarchy

Fair value measurements are categorized in accordance with the following level:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability; and
Level 3: Inputs are unobservable inputs for the asset or liability.

The Group's financial instruments are categorized as follows on the fair value hierarchy:

	Fair Value Hierarchy
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	
Share warrant obligations- public	Level 1
Share warrant obligations- private	Level 2
Share warrant obligations- warrant issued to a customer	Level 3
FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST	
Long-term debt and other debts	Level 2

11 - TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	December 31, 2022	December 31, 2021
	$	**$**
Trade accounts	**46,355,352**	25,504,588
Accrued liabilities payable	**16,028,461**	7,839,042
Financial liabilities	**62,383,813**	33,343,630

11 - TRADE AND OTHER PAYABLES (CONTINUED)

	December 31, 2022	December 31, 2021
	$	**$**
Allowance for warranties	**2,752,398**	502,982
Salaries and vacations payable	**7,267,172**	4,576,361
Deductions at source	**1,384,223**	869,935
Sales taxes payable	**1,434,436**	636,939
Deferred revenue	**634,971**	479,718
Non-financial liabilities	**13,473,200**	7,065,935
	75,857,013	40,409,565

12- LONG-TERM DEBT AND OTHER DEBTS

	December 31, 2022	December 31, 2021
	$	$
Credit Agreement with Banking Syndicate, secured, maturing August 11, 2024 (Note 12.1),	**71,916,716**	—
Investissement Quebec secured loan related to Battery Manufacturing Plant and Innovation Center (Note 12.2)	**10,381,986**	—
Strategic Innovation Fund of the Government of Canada unsecured loan related to Battery Manufacturing Plant and Innovation Center (Note 12.3)	**6,189,814**	—
Loans on research and development tax credits and subsidies receivable (Note 12.4)	**22,150,030**	10,564,590
Economic Development Canada (EDC) unsecured loans, maturing between January 2022 and February 2022 (Note 12.5)	**—**	24,397
Secured loans for the acquisition of rolling stock, maturing between December 2023 and August 2024 (Note 12.6)	**34,802**	95,949
Balance of purchase price payable related to the acquisition of the dealership rights, without interest (Note 12.7)	**—**	2,392,734
	110,673,348	13,077,670
Current portion of long-term debt and other debts	**24,713**	13,015,584
Long-term portion of long-term debt and other debts	**110,648,635**	62,086

12- LONG-TERM DEBT AND OTHER DEBTS (CONTINUED)

12.1 Credit Agreement with Banking Syndicate

On August 11, 2021, Lion entered into a new credit agreement with a syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec (the "Revolving Credit Agreement"). The Revolving Credit Agreement was amended on January 25, 2022 to increase the maximum principal amount that may become available from time to time under the revolving credit facility, subject to the borrowing base and compliance with the covenants contained under the Revolving Credit Agreement from $100,000,000 to $200,000,000. The credit facility under the Revolving Credit Agreement is available for use to finance working capital and for other general corporate purposes, and available to be drawn subject to a borrowing base comprised of eligible accounts (including insured or investment grade accounts) and eligible inventory, in each case, subject to customary eligibility and exclusionary criteria, advance rates and reserves.

The credit facility under the Revolving Credit Agreement currently bears interest at a floating rate by reference to the Canadian prime rate or pursuant to banker's acceptance based on the CDOR rate, if in Canadian dollars, or the US base rate or Term Secured Overnight Financing Rate (SOFR), if in US dollars, as applicable, plus the relevant applicable margin.

As at December 31, 2022, the weighted average all-in interest rate was 5.46%, including stamping fees and spread, divided as follows:

	Repricing date	Interest Rate
Loans in the amount of CA$50,000,000	January 2023	3.67% - 4.71% plus 1.50% stamping fee
Loans in the amount of US$35,000,000	January 2023	4.42% - 5.80%, including spread of 1.50%

The Revolving Credit Agreement matures on August 11, 2024. The obligations under the Revolving Credit Agreement are secured by a first priority security interest, hypothec and lien on substantially all of Lion's and certain of its subsidiaries' property and assets (subject to certain exceptions and limitations). The Revolving Credit Agreement includes certain customary affirmative covenants, restrictions and negative covenants on Lion's and its subsidiaries' activities, subject to certain exceptions, baskets and thresholds. The Revolving Credit Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Finally, the Revolving Credit Agreement also requires Lion to maintain certain financial ratios and namely, an all times tangible net worth test and a springing fixed charge coverage ratio based on a minimum availability test which may, from time to time, impact the maximum amount available under the revolving credit facility.. As a December 31, 2021, no amounts were drawn under the Revolving Credit Agreement.

12.2 Investissement Quebec secured loan related to Battery Manufacturing Plant and Innovation Center

On July 1, 2021, the Company entered into an interest-bearing secured loan agreement with Investissement Quebec (the "IQ Loan") relating to the construction of the battery manufacturing plant and innovation center ("Lion Campus"). The IQ Loan provides for financing of up to CA$50,000,000, of which up to 30% is expected to be forgiven subject to certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to research and development activities.

12- LONG-TERM DEBT AND OTHER DEBTS (CONTINUED)

12.2 Investissement Quebec secured loan related to Battery Manufacturing Plant and Innovation Center (continued)

The IQ Loan bears interest at a fixed rate of 4.41%, and will be repayable over a ten-year term, beginning in June 2027. The IQ Loan contains certain affirmative and negative covenants, including covenants relating to the Company's workforce, operations and research and development activities and to the location of its head office in the Province of Quebec, as well as certain financial covenants, The obligations under the IQ Loan are secured by a security interest, hypothec, and lien on substantially all of the Company's movable property and assets as well as the Company's immovable rights in the Innovation Center located on the Lion Campus (in each case, subject to certain exceptions and limitations). As at December 31, 2022, the Company was in compliance with the covenants and financial ratios. As at December 31, 2021, no amounts were drawn under the IQ Loan.

12.3 Strategic Innovation Fund of the Government of Canada unsecured loan related to Battery Manufacturing Plant and Innovation Center

On August 19, 2021, the Company entered into an unsecured non-interest bearing loan agreement with the Strategic Innovation Fund of the Government of Canada relating to the construction of the Lion Campus (the "SIF Loan"). The SIF Loan provides for financing of up to CA$49,950,000, of which up to 30% is expected to be forgiven subject to the satisfaction of certain criteria tied to the Company and to the operations of the facilities, including the creation and maintenance of workforce and certain minimum spending related to research and development activities. The SIF Loan is repayable over a 15-year term beginning in April 2026. The SIF Loan contains certain affirmative and negative covenants, including relating to the Company's workforce, operations and research and development activities and to the location of its head office. As at December 31, 2022, the SIF Loan has a nominal value of $9,358,929 (December 31, 2021: nil) and is discounted at the rate of 4.03%. The difference between the proceeds received and the fair value of the debt of $3,226,695 was accounted as a government grant and recorded as a reduction of property, plant and equipment ($3,063,476) and intangible assets ($163,219). As a December 31, 2021, no amounts were drawn under the SIF Loan.

12.4 Loans on research and development tax credits and subsidies receivable

Finalta-CDPQ Loan Agreement

On November 8, 2022, Lion entered into the Finalta-CDPQ Loan Agreement with Finalta, as lender and administrative agent, and Caisse de dépôt et placement du Québec (through one of its subsidiaries), as lender, to finance certain refundable tax credits and grants under government programs. The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of CA$30,000,000 ($22,233,751) and bears interest at the rate of 10.95% per annum. The obligations thereunder are secured by a first priority security interest, hypothec and lien in certain tax credits and government grants and a subordinate security interest, hypothec and lien in substantially all other movable property and assets. The Finalta-CDPQ Loan Agreement matures on November 6, 2024.The Finalta-CDPQ Loan Agreement includes certain customary restrictions and negative covenants on Lion's and its subsidiaries' activities, subject to certain exceptions, baskets, and thresholds. The Finalta-CDPQ Loan Agreement also provides for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds.

12- LONG-TERM DEBT AND OTHER DEBTS (CONTINUED)

12.4 Loans on research and development tax credits and subsidies receivable (continued)

Finalta-CDPQ Loan Agreement (continued)

Upon the occurrence and during the continuance of an event of default, the lenders would be entitled to demand the immediate repayment of all amounts owing to them under the Finalta-CDPQ Loan Agreement and/or the lenders may exercise their other rights, remedies and/or recourses.

An aggregate amount of $22,233,751 (CA$30,000,000) was advanced under the Finalta-CDPQ Loan Agreement on November 8, 2022 upon entering into of the agreement and is outstanding as of the date hereof. A portion of the advances made under the Finalta-CDPQ Loan Agreement was used to repay in full the Company's previous credit facilities entered into with Finalta on May 6, 2021 (the "Previous Finalta Credit Facilities"). All previous hypothecs and other liens relating to the Previous Finalta Credit Facilities were discharged upon repayment thereof. As of December 31, 2022, $22,150,030 (CA$30,000,000) was drawn under the Finalta-CDPQ Loan Agreement.

Finalta Loan Agreement- May 2021

On May 6, 2021, Lion entered into a loan agreement ("the Finalta Loan Agreement") with Finalta Capital Fund, L.P. ("Finalta") amending and restating in their entirety the two (2) loan agreements dated December 2018 and May 2020 that had previously been entered into with Finalta, as lender, to finance certain refundable tax credits and grants under government programs. As of December 31, 2021, there was $10,564,590 (CA$13,393,787) outstanding under the loan governed by the Finalta Loan Agreement.

The Finalta Loan Agreement provided for a combined loan facility of up to a principal amount of approximately CA$13,500,000 and bore interest at the rate of 7.50% per annum. The Finalta Loan Agreement matured on May 31, 2022, and may have extended by one (1) year. The obligations thereunder were secured by a first priority security interest, hypothec and lien on tax credits and government grants and a subordinate security interest, hypothec and lien on substantially all other property and assets to a maximum of $17,037,000 (CA$21,600,000).

The Finalta Loan Agreement included certain customary restrictions and negative covenants on Lion's activities, subject to certain exceptions, baskets, and thresholds. The Finalta Loan Agreement also provided for customary events of default, in each case, subject to customary grace periods, baskets and materiality thresholds. Upon the occurrence and during the continuance of an event of default, Finalta would be entitled to demand the immediate repayment of all amounts owing to it under the Finalta Loan Agreement and/or it may exercise its other rights, remedies and/or recourses.

12.5 Economic Development Canada (EDC) unsecured loans

As of December 31, 2021, the Group had outstanding Economic Development Canada unsecured loans, maturing from January 2022 to February 2022, for the acquisition of manufacturing equipment, for the marketing of products in the United States, and for the acquisition of molds in the amount of $24,397. The loans were without interest, discounted at a rate varying from 12% to 15% and had a nominal value of $24,583.

12- LONG-TERM DEBT AND OTHER DEBTS (CONTINUED)

12.6 Secured loans for the acquisition of rolling stock

As of December 31, 2022 and 2021, the Group had outstanding secured loans, maturing from December 2023 to August 2024, related to the financing of the acquisition of rolling stock in the amount of $34,802 (2021: $95,949). The loans had interest rates varying from 2.35% to 4.25% and were secured by the asset financed having a net carrying value of $41,472.

12.7 Balance of purchase price payable related to the acquisition of the dealership rights, without interest

On May 7, 2022, the agreement with a private company relating to the previous acquisition of dealership rights in certain territories in the United States matured and the related outstanding financial liability was derecognized. The balance of the carrying amount was derecognized and the corresponding gain was recognized in finance costs in the consolidated statements of earnings (loss) and comprehensive loss (refer to Note 17).

For the fiscal year ended December 31, 2022, the Company was in compliance with all the covenants and financial ratios included in its long-term debt and other debts above.

13 - CONVERTIBLE DEBT INSTRUMENTS

	March 2020 Convertible Loan	September 2020 Convertible Debenture	Total Convertible Debt Instruments	Conversion Option
	$	$	$	$
Balance at January 1, 2021	3,676,252	15,190,638	18,866,890	1,472,520
Accretion expense	483,050	2,020,047	2,503,097	–
Foreign currency translation adjustment	216,480	844,081	1,060,561	.
Repayment	(4,375,782)	(18,054,766)	(22,430,548)	(1,472,520)
Balance at December 31, 2021	–	–	–	–

March 2020 Convertible Loan

In March 2020, the Company completed a financing through the issuance of an unsecured convertible loan (the “March 2020 Convertible Loan”) to Investissement Quebec in the principal amount of $3,741,675 (CA$5,000,000). The March 2020 Convertible Loan bore interest of 7.5% and had a maturity date of March 3, 2025. An amount of $70,376 (CA$94,043) in financing fees was incurred as a direct cost in the closing of the financing. This balance was capitalized and netted against the proceeds received from the issuance of the March 2020 Convertible Loan. Since the financial instrument meets the “Fixed for Fixed” criteria under IAS 32 – Financial Instruments: Presentation (“IAS 32”), the conversion option was classified as an equity instrument at the issuance date and was not subsequently remeasured.

13 - CONVERTIBLE DEBT INSTRUMENTS (CONTINUED)

March 2020 Convertible Loan

The debt portion of the March 2020 Convertible Loan was recorded at the estimated fair value of $3,318,735 (CA$4,400,000) using an effective interest rate of 10.76% per annum at the time of issuance with the residual value of $422,940 (CA$600,000) recorded as separate component of equity. On May 6, 2021 the Company repaid the March 2020 Convertible Loan in full (including accrued interest).

September 2020 Convertible Debenture

In September 2020, the Company completed a financing through the issuance of an unsecured convertible debenture (the “September 2020 Convertible Debenture”) to Investissement Quebec in the principal amount of $15,340,000 (CA$20,000,000). The September 2020 Convertible Debenture bore interest of 15% and had a maturity date of September 1, 2023. An amount of $313,131 (CA$417,675) in financing fees was incurred as a direct cost in the closing of the financing. This balance was capitalized and netted against the proceeds received from the issuance of the September 2020 Convertible Debenture. Since the financial instrument meets the “Fixed for Fixed” criteria under IAS 32, the conversion option was classified as an equity instrument at the issuance date and is not subsequently remeasured. The debt portion of the September 2020 Convertible Debenture was recorded at the estimated fair value of $14,290,420 (CA$18,600,000) using an effective interest rate of 20.52% per annum at the time of issuance with the residual value of $1,049,580 (CA$1,400,000) recorded as a separate component in equity. On May 6, 2021 the Company repaid the September 2020 Convertible Debenture in full (including accrued interest).

14 - SHARE WARRANT OBLIGATIONS

14.1 Warrants issued to a customer

On July 1, 2020, in connection with the entering into of a master purchase agreement and a work order (collectively, the “MPA”) with Amazon Logistics, Inc., the Company issued a warrant to purchase common shares of the Company (the “Warrant”) to Amazon.com NV Investment Holdings LLC (the “Warrantholder”) which vests, subject to the terms and conditions contained therein, based on the aggregate amount of spending by Amazon.com, Inc. and its affiliates on the Group's products or services.

At the election of the Warrantholder, any vested portion of the Warrant can be exercised either on a cash basis by the payment of the applicable exercise price or on a net issuance basis based on the in-the-money value of the Warrant. The exercise of the Warrant corresponds to $5.66 per share. The Warrant grants the Warrantholder the right to acquire up to 35,350,003 common shares of the Company.

There was an initial vesting of a portion of the Warrant which is exercisable for 5,302,511 common shares as at December 31, 2022 and 2021. The remaining portion of the Warrant vests in three tranches based on the aggregate amount of spending by Amazon.com, Inc. and its affiliates on Group products or services. The Warrant has a term of 8 years. Full vesting of the Warrant requires spending of at least $1.2 billion on Group products or services over the term of the Warrant, subject to accelerated vesting upon the occurrence of certain events, including a change of control of the Group or a termination of the MPA for cause.

14 - SHARE WARRANT OBLIGATIONS (CONTINUED)

14.1 Warrants issued to a customer (continued)

The fair value of the Warrant was determined using the Black-Scholes option pricing model taking into account the following assumptions:

	December 31, 2022	December 31, 2021
Exercise price ($)	**5.66**	5.66
Share price ($)	**2.24**	9.94
Volatility (%)	**43%**	40%
Risk-free interest rate (%)	**3.38%**	1.27%
Expected warrant life (years)	**5.50**	6.50

The Group has recognized the following contract asset and share warrant obligation:

	December 31, 2022	December 31, 2021
	$	$
Contract asset		
Beginning Balance	**14,113,415**	14,327,709
Amortization	**—**	(284,625)
Foreign currency translation adjustment	**(902,409)**	70,331
Ending Balance	**13,211,006**	14,113,415
Share warrant obligation		
Beginning Balance	**30,871,444**	31,549,033
Fair value adjustment	**(28,281,579)**	492,091
Foreign currency translation adjustment	**(417,596)**	(1,169,680)
Ending Balance	**2,172,269**	30,871,444

14.2 Warrants issued as part of the business combination transaction

Upon completion of the Transaction on May 6, 2021, each outstanding warrant to purchase shares of NGA's common stock was converted into a warrant to acquire one common share of the Company at a price of $11.50 per share. A total of 27,111,741 NGA warrants were converted into 27,111,741 Business Combination Warrants, 15,972,672 of which are publicly traded and 11,139,069 of which are private.

14 - SHARE WARRANT OBLIGATIONS (CONTINUED)

14.2 Warrants issued as part of the business combination transaction (continued)

As at December 31, 2022, there were 27,111,323 Business Combination Warrants outstanding (December 31, 2021: 27,111,623) of which 15,972,364 are publicly traded (December 31, 2021: 15,972,664) and 11,138,959 are private (December 31, 2021: 11,138,959).

Each Business Combination Warrant entitles the holder to acquire one common share at an exercise price of $11.50 per share until May 6, 2026, subject to adjustment in certain customary events. The public Business Combination Warrants may be redeemed by the Company, in whole at a price of $0.01 per public Business Combination Warrant, provided that the last reported sales price of the Company's common shares equals or exceeds $18.00 per share for any 20 trading days within a 30 trading-day period commencing once the public Business Combination Warrants become exercisable and ending on the third trading day prior to the date on which the Company gives proper notice of such redemption.

The fair value of the public warrants were determined using their market trading price as follows:

	December 31, 2022	December 31, 2021
Warrant price ($)	**0.45**	2.73

Each private Business Combination Warrant may not be redeemed by the Company so long as they are held by Northern Genesis Sponsor LLC or any of its permitted transferees. Once transferred to any person that is not Northern Genesis Sponsor LLC or any of its permitted transferees, a private Business Combination Warrant becomes treated as a public Business Combination Warrant. The fair value of the private warrants was determined using the Black-Scholes option pricing model taking into account the following assumptions:

	December 31, 2022	December 31, 2021
Exercise price ($)	**11.50**	11.50
Share price ($)	**2.24**	9.94
Volatility (%)	**50%**	40%
Risk-free interest rate (%)	**3.68%**	1.27%
Expected warrant life (years)	**3.33**	4.33

The expected volatility was determined by reference to historical data of comparable share prices over the expected life of the warrants.

14 - SHARE WARRANT OBLIGATIONS (CONTINUED)

14.2 Warrants issued as part of the business combination transaction (continued)

The Group has recognized the following warrant obligations:

	Public warrants	Private warrants	Total
	$	$	$
Beginning balance at December 31, 2021	42,961,675	32,392,815	75,354,490
Fair value adjustment	(35,011,131)	(31,200,119)	(66,211,250)
Exercised	(348)	—	(348)
Foreign currency translation adjustment	(874,429)	(277,815)	(1,152,244)
Balance at December 31, 2022	7,075,767	914,881	7,990,648

	Public warrants	Private warrants	Total
	$	$	$
Beginning balance at May 6, 2021	95,836,032	73,616,827	169,452,859
Fair value adjustment	(48,935,404)	(37,352,590)	(86,287,994)
Exercised	—	(442)	(442)
Foreign currency translation adjustment	(3,938,953)	(3,870,980)	(7,809,933)
Balance at December 31, 2021	42,961,675	32,392,815	75,354,490

14.3 Warrants issued as part of the December 2022 Offering

On December 16, 2022, the Company closed the "December 2022 Offering", pursuant to which the Company issued of 19,685,040 "2022 Warrants" (Note 22.4). Each whole 2022 Warrant entitles the holder to purchase one common share for a price $2.80 per share for a period of five years ending on on December 15, 2027, subject to adjustment in certain customary events.

Aggregate gross proceeds of $19,913,196 were allocated to the warrants, representing the fair value of the warrants on the day of issuance. Issuance fees of $1,869,053 were recognized in administrative expenses in the consolidated statement of earnings (loss) and related to legal and other professional costs ($901,133) and net commissions paid to the agents ($967,920). As at December 31, 2022, all warrants are outstanding.

14 - SHARE WARRANT OBLIGATIONS (CONTINUED)

14.3 Warrants issued as part of the December 2022 Offering (continued)

The fair value of the warrant on the date of issuance was determined using the Black-Scholes option pricing model taking into account the following assumptions:

	December 16, 2022
Exercise price ($)	2.80
Share price ($)	2.54
Volatility (%)	44.46%
Risk-free interest rate (%)	3.07%
Expected warrant life (years)	5.00

The expected volatility was determined by reference to historical data of comparable share prices over the expected life of the warrants.

The fair value of the public warrants were determined using their market trading price as follows:

	December 31, 2022
Warrant price ($)	**0.70**

The Group has recognized the following warrant obligation:

	Public warrants
	$
Beginning balance at December 16, 2022	**19,913,196**
Fair value adjustment	**(6,975,357)**
Foreign currency translation adjustment	**142,807**
Balance at December 31, 2022	**13,080,646**

15 - EMPLOYEE BENEFITS EXPENSE

The following table summarizes the employee benefits expense recorded and included in administrative and selling expenses during the years ended December 31, 2022, and 2021:

	2022	2021
	$	$
Wages and salaries	**35,576,358**	24,316,116
Share-based compensation (Note 16)	**12,362,070**	71,081,047
	47,938,428	95,397,163

The compensation of key management personnel is further disclosed in Note 21.

16 - SHARE-BASED COMPENSATION

16.1 Stock options

The Group has a stock option plan (the "Plan") for its key employees, officers and consultants under which it has authorized the grant of options for the purchase of its common shares for a maximum of 10% of outstanding common shares.

The Board of Directors shall determine the stock option term, which shall be no more than 10 years. Under the terms of the plan, the exercise price of each option cannot be below the fair value of the common shares on the grant date. Unless otherwise determined by the Board of Directors, the options granted under the plan vest within four years, beginning on the first anniversary of the date of granting.

Change in Method of Settlement

As of May 6, 2021, the cash settlement option in the Company’s stock option plan was removed. As a result, the liability for share-based compensation was re-measured to fair value at May 6, 2021, with changes in fair value recognized in net earnings (loss), and the resulting fair value of $130,276,188 was transferred to contributed surplus within shareholders’ equity.

16 - SHARE-BASED COMPENSATION (CONTINUED)

16.1 Stock options (continued)

The following principal weighted assumptions were used in the Black-Scholes option pricing model to remeasure the share-based compensation liability relating to stock options as at May 6, 2021:

	May 6, 2021
Exercise price (CA $)	1.17
Share price (CA $)	19.73
Volatility (%)	40%
Risk-free interest rate (%)	1.40%
Expected option life (years)	7.58

The following table summarizes the outstanding options as at December 31, 2022 and 2021 and changes during the years then ended:

		2022		2021
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	**9,072,149**	**1.82**	10,375,195	1.17
Granted	**558,697**	**6.94**	294,854	21.86
Exercised[(a)]	**(45,121)**	**0.93**	(1,505,000)	0.93
Forfeited	**(38,540)**	**6.91**	(92,900)	6.90
Outstanding, end of year	**9,547,185**	**2.11**	9,072,149	1.82
Exercisable, end of year	**7,615,432**	**1.25**	5,054,976	1.06

a. Stock options exercised during the period had a weighted average share price of CA$3.42 at the date of exercise.

16 - SHARE-BASED COMPENSATION (CONTINUED)

16.1 Stock options (continued)

The following table summarizes the information relating to stock options outstanding:

	As at December 31, 2022		
	Number of stock options	**Remaining contractual life (years)**	**Number of stock options exercisable**
Exercise price			
CA$0.93 (issued in 2018)	**4,747,277**	**4.96**	**4,747,277**
CA$0.93 (issued in 2019)	**3,664,907**	**6.76**	**2,649,930**
CA$6.90 (issued in 2020)	**289,023**	**7.71**	**144,512**
CA$15.45 (issued in 2021)	**26,389**	**8.65**	**6,597**
CA$23.02 (issued in 2021)	**253,865**	**8.49**	**63,466**
CA$13.29 (issued in 2021)	**14,600**	**8.94**	**3,650**
CA$6.92 (issued in 2022)	**486,041**	**9.36**	**—**
CA$7.05 (issued in 2022)	**65,083**	**9.38**	**—**
	9,547,185		**7,615,432**

	As at December 31, 2021		
	Number of stock options	Remaining contractual life (years)	Number of stock options exercisable
Exercise price			
CA$0.93 (issued in 2018)	4,792,398	5.94	3,316,799
CA$0.93 (issued in 2019)	3,664,907	7.77	1,634,954
CA$6.90 (issued in 2020)	319,990	8.71	103,223
CA$15.45 (issued in 2021)	26,389	9.65	—
CA$23.02 (issued in 2021)	253,865	9.49	—
CA$13.29 (issued in 2021)	14,600	9.94	—
	9,072,149		5,054,976

16 - SHARE-BASED COMPENSATION (CONTINUED)

16.1 Stock options (continued)

For share options granted during the year ended December 31, 2022, the weighted average fair value of those options at the measurement date is $1,428,004 (December 31, 2021: $2,316,320).The following table summarizes the weighted average values for the assumptions used in the Black-Scholes option pricing model for the stock option grants during the years ended December 31, 2022 and 2021:

	2022	2021
Expected dividends per share (CA$)	**—**	—
Exercise price (CA$)	**6.94**	21.86
Share price (CA$)	**6.94**	21.86
Expected Volatility (%)	**40%**	40%
Risk-free interest rate (%)	**2.78%**	1.16%
Expected option life (years)	**7.50**	7.50

The expected volatility was determined by reference to historical data of comparable companies share prices over the expected life of the stock options.

Compensation expense related to the stock options was recognized in the consolidated statement of earnings (loss) as follows:

	2022	2021
	$	$
Administrative expenses	**8,296,836**	56,461,189
Selling expenses	**2,765,645**	14,332,574
	11,062,481	70,793,763

For the year ended December 31, 2021, compensation expense related to stock options amounting to $56,150,430 increased the fair value of the share-based compensation liability up to May 6, 2021 (before being transferred to contributed surplus on May 6, 2021), and an amount of $14,643,333 was recorded directly in contributed surplus. When the underlying shares are issued, the amounts previously credited to contributed surplus are transferred to share capital.

16.2 Restricted share units

In June 2021, the Company approved a restricted share unit (“RSU”) plan for officers and other key employees of the Group. A RSU represents the right of an individual to receive one common share of the Company on the vesting date without any monetary consideration being paid to the Company.

16 - SHARE-BASED COMPENSATION (CONTINUED)

16.2 Restricted share units (continued)

All RSUs vest within a maximum three-year vesting period and they can be settled in cash based on the Company’s share price on the vesting date, or through the delivery of common shares issued from treasury or purchased on the open market, at the Company's option. RSUs are expected to be settled in common shares purchased on the open market.

Compensation cost for RSUs is measured at the fair value of the underlying common share at the grant date and is expensed over the award's vesting period.

		2022		2021
	Number of restricted share units	**Weighted average exercise price**	Number of restricted share units	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	**36,247**	**18.59**	—	—
Granted	**276,584**	**6.93**	36,247	18.59
Forfeited	**(15,173)**	**6.92**	—	—
Outstanding, end of year	**297,658**	**8.35**	36,247	18.59
Vested, end of year	—	—	—	—

All RSUs have an average remaining contractual life of approximately 1.9 years as at December 31, 2022 (December 31, 2021 : 2.9 years).

Compensation expense related to the RSUs was recognized in the consolidated statement of earnings (loss) as follows:

	2022	2021
	$	$
Administrative expenses	**399,812**	47,720
Selling expenses	**123,063**	30,141
	522,875	77,861

The corresponding increase is recorded in contributed surplus. When the underlying shares are issued, the amounts previously credited to contributed surplus are transferred to share capital.

16 - SHARE-BASED COMPENSATION (CONTINUED)

16.3 Deferred share units

In June 2021, the Company approved a deferred share unit ("DSU") plan for officers and other key employees of the Group. A DSU represents the right of an individual to receive one common share of the Company on the vesting date without any monetary consideration being paid to the Company.

All DSUs vest on the date of the grant, except otherwise determined by the Board of Directors, and they can be settled in cash based on the Company's share price on the vesting date, through the delivery of common shares issued from treasury or purchased on the open market, at the Company's option or a combination of both.

Compensation cost for DSUs is measured at the fair value of the underlying common share at the grant date and is expensed over the award's vesting period.

		2022		2021
	Number of deferred share units	**Weighted average exercise Price**	Number of deferred share units	Weighted average exercise Price
		CA$		CA$
Outstanding, beginning of year	**18,755**	**14.07**	—	—
Granted	**284,362**	**3.65**	18,755	14.07
Cash settled	**(2,026)**	**14.07**	—	—
Outstanding, end of year	**301,091**	**4.23**	18,755	14.07
Vested, end of year	**301,091**	**4.23**	18,755	14.07

Compensation expense related to the DSUs was recognized in administrative expenses in the statement of consolidated earnings (loss) as follows with a corresponding increase in contributed surplus:

	2022	2021
	$	$
Administrative expenses	**776,714**	209,423

When the underlying shares are issued, the amounts previously credited to contributed surplus are transferred to share capital.

17 - FINANCE COSTS

Finance costs for the reporting periods consist of the following:

	2022	2021
	$	$
Interest on long-term debt and other debts[a]	**280,491**	3,042,675
Interest on lease liabilities[a]	**284,631**	876,321
Interest on convertible debt instruments	**—**	2,503,097
Accretion and revaluation expense on balance of purchase price payable related to the acquisition of the dealership rights	**82,850**	125,290
Accretion expense on common shares, retractable	**—**	2,031,863
Gain on derecognition of the balance of purchase price payable related to the acquisition of the dealership rights[b]	**(2,130,583)**	—
Financing costs	**2,489,123**	—
Other	**(51,090)**	(246,769)
	955,422	8,332,477

a. Net of capitalized borrowing costs of $5,093,206 for year ended December 31, 2022 (December 31, 2021: $40,322), $2,214,906 included in interest on long-term debt and other debts and $2,878,300 in interest on lease liability, respectively (December 31, 2021: $12,022 included in interest on long-term debt and other debts, $117 in interest on lease liability, $9,310 in interest on convertible debt instruments and $18,873 in accretion expense on common shares, retractable, respectively). The weighted average interest rate used to capitalize the borrowing costs is 5.68% in 2022 and 14.42% in 2021.

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b. On May 7, 2022, the agreement with a private company relating to the previous acquisition of dealership rights in certain territories in the United States matured and the related outstanding financial liability was derecognized. The carrying amount of $2,130,583 was recognized as a gain under finance costs in the consolidated statements of earnings (loss) and comprehensive loss.

18 - INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	2022	2021
	$	$
Net earnings (loss) before income taxes	**17,775,766**	(43,325,320)
Combined statutory income tax rate in Canada	**26.50%**	26.50%
Expected income tax expense (recovery)	**4,710,578**	(11,481,210)
Non-deductible share-based employee remuneration	**3,275,949**	18,836,477
Change in fair value of share warrant obligations	**(26,889,069)**	(22,735,914)
Non-deductible accretion expense	**16,529**	538,444
Change in unrecognized deferred tax assets	**18,596,751**	13,867,662
Impact of US tax rate applicable to the subsidiary	**173,323**	223,297
Non-deductible expenses	**114,518**	818,490
Other	**1,421**	(67,246)
	—	—

The components of deferred income tax assets and (liabilities) are as follows:

	December 31, 2022	December 31, 2021
	$	$
Property, plant and equipment	**(16,438,000)**	(472,000)
Right-of-use assets	**(16,202,000)**	(12,443,000)
Intangible assets	**(37,151,000)**	(19,761,000)
Balance of purchase price related to the acquisition of the dealership rights	**—**	577,000
Lease liabilities	**16,051,000**	12,719,000
Non-capital losses carry-forward	**50,100,000**	15,674,000
Research and development expenditures carry-forward	**—**	874,000
Deferred financing cost	**(282,000)**	(182,000)
Financing fees and other	**3,922,000**	3,014,000
	—	—

18 - INCOME TAXES (CONTINUED)

The Group has unused research and development expenditures and non-capital losses carried forward for its Canadian subsidiaries for which deferred tax assets have not been recognized amounting to $113,255,000 ($57,051,000 as at December 31, 2021). Research and development expenditures can be carried forward indefinitely, and the Group's non-capital loss carry-forwards expire between 2032 and 2042.

In addition, the Group has access to federal non-refundable investment tax credits in the amount of $10,307,000 ($9,074,000 as at December 31, 2021) expiring between 2037 and 2042.

The Group also has, through its subsidiaries in the United States of America, unused tax losses carried forward amounting to $26,077,000 ($15,416,000 as at December 31, 2021) for which no deferred tax asset has been recognized. These losses can be carried forward indefinitely.

19 - EARNINGS PER SHARE

	2022	2021
	$	$
Net earnings (loss)	**17,775,766**	(43,325,320)
Basic weighted average number of common shares outstanding	**193,113,983**	162,245,092
Basic earnings (loss) per share	**0.09**	(0.27)
Basic weighted average number of common shares outstanding	**193,113,983**	162,245,092
Plus dilutive impact of stock options, RSUs, DSUs, and warrants	**7,477,680**	—
Diluted weighted average number of common shares outstanding	**200,591,663**	162,245,092
Diluted earnings (loss) per share	**0.09**	(0.27)

Excluded from the above calculations for the years ended December 31, 2022 and 2021 are all outstanding stock options, share warrant obligations, RSUs, and DSUs, which are deemed to be anti-dilutive.

20 - SUPPLEMENTAL CASH FLOW DISCLOSURE

The depreciation and amortization is detailed as follows:

	2022	2021
	$	$
Depreciation – property, plant and equipment	**5,038,092**	1,717,977
Depreciation – right-of-use assets	**3,454,353**	2,606,013
Amortization – intangible assets	**3,000,028**	935,560
Amortization – contract asset	**—**	284,625
	11,492,473	5,544,175

See Note 8 for additional information related to the depreciation of right-of-use assets.

	2022	2021
	$	$
Inventories	**(61,260,745)**	(78,629,302)
Accounts receivable	**(24,369,277)**	(17,359,223)
Prepaid expenses	**(940,816)**	(4,407,403)
Trade and other payables [1]	**28,082,227**	17,245,077
	(58,488,611)	(83,150,851)

(1) The net change in trade and other payables excludes trade and other payables as at December 31, 2022 related to the following non-cash working capital items: $4,757,926 related to the additions of intangible assets and $16,229,912 related to the acquisition of property, plant and equipment and includes trade and other payables as at December 31, 2021 related to the additions of intangible assets of $554,310 and related to the acquisition of property, plant and equipment of $8,797,575.

There were nil outstanding payables related to the additions of intangible assets and nil related to the acquisition of property, plant and equipment as at December 31, 2020.

20 - SUPPLEMENTAL CASH FLOW DISCLOSURE (CONTINUED)

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Share warrant obligations	Long-term debt and other debts	Lease liabilities	Total
	$	$	$	$
Balance at January 1, 2022	**106,225,934**	**13,077,670**	**62,209,317**	**181,512,921**
Cash flows :				
Repayment	**—**	**(10,348,894)**	**(8,140,114)**	**(18,489,008)**
Proceeds	**19,913,196**	**111,576,513**	**—**	**131,489,709**
Non-cash :				
Accretion expense	**—**	**82,850**	**284,631**	**367,481**
Borrowings costs, capitalized within intangible assets and property, plant and equipment	**—**	**—**	**2,878,300**	**2,878,300**
Non-monetary additions (net of modification)	**—**	**—**	**6,961,794**	**6,961,794**
Gain on derecognition of dealership rights	**—**	**(2,130,583)**	**—**	**(2,130,583)**
Change in fair value of share warrant obligations	**(101,468,186)**	**—**	**—**	**(101,468,186)**
Contributed surplus	**(3,798)**	**—**	**—**	**(3,798)**
Unrealized foreign exchange loss	**—**	**516,401**	**—**	**516,401**
Foreign currency translation adjustment	**(1,423,583)**	**(2,100,609)**	**(673,713)**	**(4,197,905)**
Balance at December 31, 2022	**23,243,563**	**110,673,348**	**63,520,215**	**197,437,126**

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For the years ended December 31, 2022 and 2021
(In US dollars, except number of shares)

20 - SUPPLEMENTAL CASH FLOW DISCLOSURE (CONTINUED)

	Credit facilities	Long-term debt and other debts	Lease liabilities	Total
	$	$	$	$
Balance at January 1, 2021	18,209,335	37,251,387	7,719,108	63,179,830
Cash flows :				
Repayment	(19,188,863)	(44,441,014)	(2,969,809)	(66,599,686)
Proceeds	—	18,709,857	—	18,709,857
Non-cash :				
Accretion expense	—	125,290	876,321	1,001,611
Borrowings costs, capitalized within intangible assets	—	2,516	117	2,633
Non-monetary additions	—	—	56,575,021	56,575,021
Unrealized foreign exchange gain	—	(16,732)	(42,772)	(59,504)
Foreign currency translation adjustment	979,528	1,446,366	51,331	2,477,225
Balance at December 31, 2021	—	13,077,670	62,209,317	75,286,987

21- RELATED PARTY TRANSACTIONS

21.1 Transactions with key management personnel

Key management personnel includes those individuals that have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and is comprised of the members of the executive management team and the Board of Directors. Key management personnel remuneration includes the following expenses:

	2022	2021
	$	$
Salaries including bonuses	**3,368,388**	2,137,182
Share-based payments	**8,878,755**	47,956,085
Total remuneration	**12,247,143**	50,093,267

22. SHARE CAPITAL

22.1 Authorized

The authorized share capital is as follows:

- Unlimited number of common shares, bearing one voting right per share, participating, without par value.
- Unlimited number of preferred shares, issuable in one or more series.

The authorized share capital was modified effective May 6, 2021 by creating an unlimited number of preferred shares, issuable in one or more series.

22.2 Issued

All issued and outstanding common shares are fully paid.

22.3 ATM Program

On June 17, 2022, the Company established an "at-the-market" equity program (the "ATM Program") that allows the Company to issue and sell, from time to time through a syndicate of agents, newly issued common shares of the Company, for an aggregate offering amount of up to $125,000,000 (or the Canadian dollar equivalent).

During the year ended December 31, 2022, the Company issued 8,346,789 common shares pursuant to the ATM Program at an average price of $3.74 per share for aggregate gross proceeds of $31,247,688, and for aggregate net proceeds of $29,351,308 after the deduction of equity issuance fees of $1,896,380. Equity issuance fees were mainly related to legal costs which includes one-time fees incurred to establish the ATM Program ($1,427,613) and net commissions paid to the agents under the ATM program ($468,767).

22.4 December 2022 Offering

On December 16, 2022, the Company closed the “December 2022 Offering”, pursuant to which the Company issued 19,685,040 "Units" at a price of $2.54 per Unit for gross proceeds of $50,000,002 and for net proceeds of $45,308,181 after the deduction of issuance fees of $4,691,821. Issuance fees were mainly related to legal costs ($2,261,471) and net commissions paid to the agents ($2,430,350). Each Unit consisted of one common share in the capital of the Company and one common share purchase warrant. The allocation of the proceeds between the warrants and the common shares at the issuance date was based on allocating the fair value of the warrants based on the Black-Scholes option pricing model (refer to Note 14.3), with the residual value allocated to the common shares.

Under the terms of the underwriting agreement, the Company has granted the underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the December 2022 Offering, to purchase up to 2,952,755 additional Units at a price of $2.54 per Unit, representing in the aggregate 15% of the total number of Units to be sold pursuant to the December 2022 Offering.

22. SHARE CAPITAL (CONTINUED)

22.4 December 2022 Offering (continued)

Pursuant to the December 2022 Offering, the Company issued 19,685,040 common shares of which gross proceeds of $30,086,806 were allocated to the shares, and for net proceeds of $27,264,038 after the deduction of equity issuance fees of $2,822,768. Equity issuance fees were mainly related to legal costs ($1,360,338) and net commissions paid to the agents ($1,462,430).

22.3 Common shares, retractable

At the closing of the business combination and plan of reorganization (the "Transaction") with NGA on May 6, 2021, the repurchase (put) rights of the common shares, retractable were reclassified from non-current liabilities to equity, as the repurchase (put) rights no longer exist at closing of the Transaction.

The following table summarizes the common shares, retractable as at December 31, 2021 and changes during the years then ended:

	December 31, 2021	
	Number	**$**
Common shares, retractable		
Balance, beginning of the year	17,994,857	25,855,509
Reclass to equity	(17,994,857)	(29,072,804)
Accretion expense	—	2,031,863
Foreign currency translation adjustment	—	1,185,432
Balance, end of year	—	—

At each reporting period, the liability was measured at amortized cost, until May 6, 2021. An accretion expense amounting to $2,031,863 was recorded in the consolidated earnings for the year ended December 31, 2021.

23 - ENTITY-WIDE DISCLOSURES

The Group has one reportable operating segment, the manufacturing and sales of electric vehicles in Canada and in the United States.

The Group's revenue from external customers are divided into the following geographical areas:

	2022	2021
Revenue from External Customers	**$**	$
Canada	**121,086,499**	37,484,524
United States	**18,827,971**	20,225,680
	139,914,470	57,710,204

During the year ended December 31, 2022, 35% of the Group's revenue depended on one customer (December 31, 2021: one customer, 10.1%).

The Group’s non-current assets are allocated to geographic areas as follows:

			December 31, 2022
	Canada	**United States**	**Total**
	$	**$**	**$**
Other non-current assets	**708,440**	**364,786**	**1,073,226**
Property, plant and equipment	**81,602,840**	**79,153,488**	**160,756,328**
Right-of-use assets	**10,836,851**	**49,671,503**	**60,508,354**
Intangible assets	**144,213,010**	**7,151,013**	**151,364,023**
Contract asset	**13,211,006**	**—**	**13,211,006**
	250,572,147	**136,340,790**	**386,912,937**

			December 31, 2021
	Canada	United States	Total
	$	$	$
Other non-current assets	793,298	—	793,298
Property, plant and equipment	18,035,651	14,632,507	32,668,158
Right-of-use assets	7,446,976	53,455,386	60,902,362
Intangible assets	76,127,010	5,772,820	81,899,830
Contract asset	14,113,415	—	14,113,415
	116,516,350	73,860,713	190,377,063

Geographical areas are determined according to where the sales take place and according to the location of the long-term assets.

24 - FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT

24.1 Financial risk management objectives and policies

Based on the Group's activities and as a result of holding financial instruments, the group is exposed to various financial risks. The main types of risks are market risk, credit risk and liquidity risk.

The Group's financial assets and liabilities by category are summarized in Note 10.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

24.2 Market risk

The Group's financial instruments expose it to market risks, in particular, currency risk and interest rate risk, resulting from its operating, investing and financing activities:

Foreign currency

In 2022, the majority of the Group's transactions are in Canadian dollars in its Canadian entities and in US dollars in its US entities. Currency risk results from the Group's sales denominated in foreign currency which are primarily in US dollars and purchases which are in US dollars and Euro for the Canadian entities and purchases made in Canadian dollars or Euros for the US entities. In 2021, the majority of the Group's transactions were in Canadian dollars. Currency risk resulted from the Group's sales denominated in foreign currency which were primarily in US dollars and purchases which were in US dollars and Euros.

The Group is exposed to currency risk due to cash, trade and other receivables, trade and other payables and long-term debt and other debts denominated in foreign currencies.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management, in US dollars:

	December 31, 2022		December 31, 2021	
	Assets	**Liabilities**	Assets	Liabilities
	$	**$**	$	$
Cash	**34,192,889**	**—**	110,902,300	—
Trade receivables	**—**	**—**	10,338,493	—
Trade and other payables	**—**	**6,094,084**	—	6,813,836
Long-term debt and other debts	**—**	**35,000,000**	—	2,392,734
	34,192,889	**41,094,084**	121,240,793	9,206,570

24 - FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (CONTINUED)

24.2 Market risk (continued)

Foreign currency (continued)

The impact on comprehensive loss and shareholders' equity of a 10% increase or decrease in foreign currencies on the Group's financial instruments based on balances at December 31, 2022 would be approximately $(718,280) ($11,331,232 as at December 31, 2021).

Interest rate sensitivity

The Group is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates. Some long-term debts and other debts bear interest at a fixed rate and the Group is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Some long-term debts and other debts bear interest at variable rates and the Group is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations. The Group analyzes its cash flow exposure and interest fluctuations on an ongoing basis.

Based on balances as at December 31, 2022, sensitivity to a plus or minus 1% change in interest rates would affect the profit or loss and equity by $1,107,000 (approximately $131,000 as at December 31, 2021).

24.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting receivables to customers. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on the consolidated statement of financial position.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the financial assets that are not impaired or past due for each of the reporting dates presented are of good credit quality. The Group had never experienced any significant credit losses. Consequently, credit risk is not considered material.

24.4 Liquidity risk analysis

In the normal course of business, the Group enters into contractual obligations that will require the Group to disburse cash over future periods. Liquidity risk is that the Group might be unable to meet its contractual obligations.

24 - FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (CONTINUED)

24.4 Liquidity risk analysis (continued)

The Group's liquidity and operating results may be adversely affected if the Group's access to the equity market is hindered, whether as a result of a downturn in the economic conditions generally or related to matters specific to the Group. Over the years, the Group generated cash flows from its financing activities and from its sales. The Group mitigates liquidity risk through the implementation of its capital management policy by managing its capital expenditures, forecast, budget and operational cash flows, and by maintaining adequate lines of credit, if needed.

All commitments have been reflected in our consolidated statements of financial position except for purchase obligations, which are included in the table of contractual obligations below.

The following tables set forth the maturity of our contractual obligations (including interest payments where applicable) as at December 31, 2022 and as at December 31, 2021:

						December 31, 2022
	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years
	$	$	$	$	$	$
Trade and other payables	62,383,813	62,383,813	62,383,813	—	—	—
Long-term debt and other debts	110,673,348	118,341,134	2,450,141	96,150,078	—	19,740,915
Purchase and other obligations	—	149,591,363	70,523,901	75,154,748	3,439,748	472,966
Lease obligations	63,520,215	89,985,860	8,320,131	15,454,284	16,693,337	49,518,108
Total contractual obligations	236,577,376	420,302,170	143,677,986	186,759,110	20,133,085	69,731,989

24 - FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (CONTINUED)

24.4 Liquidity risk analysis (continued)

						December 31, 2021
	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	More than 5 years
	$	$	$	$	$	$
Trade and other payables	33,343,630	33,343,630	33,343,630	—	—	—
Long-term debt and other debts	13,077,670	13,080,422	13,016,590	63,832	—	—
Purchase and other obligations	–	91,585,031	91,585,031	—	—	—
Lease obligations	62,209,317	87,389,875	7,953,283	16,046,201	12,345,355	51,045,036
Total contractual obligations	108,630,617	225,398,958	145,898,534	16,110,033	12,345,355	51,045,036

24.5 Capital management

The Group’s capital management objectives are to:
- Ensure the Group’s ability to continue as a going concern;
- Provide an adequate return to shareholders;
- Maintain an optimal capital structure which allows financing options to the Group to complete its projects.

The Group's capital comprises total shareholders' equity, cash/bank overdraft, credit facilities, long-term debt, convertible debt instruments and common shares retractable, as presented on the face of the consolidated statement of financial position.

As part of the management of its capital structure, the Group factors in the economic value of the stock option and restricted share units (Note 16).

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares or sell assets to reduce debt.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group’s management team to sustain the future development of the business.

24 - FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (CONTINUED)

24.5 Capital management (continued)

The amounts managed as capital by the Group for the reporting periods under review are summarized as follows:

	December 31, 2022	December 31, 2021
	$	$
Long-term debt and other debts	**110,673,348**	13,077,670
Less: Cash	**88,266,985**	241,702,030
Total net indebtedness	**22,406,363**	(228,624,360)
Shareholders' equity	**437,116,773**	368,681,834
Warrants issued as part of the business combination transaction and December 2022 Offering	**21,071,294**	75,354,490
Total net indebtedness	**22,406,363**	(228,624,360)
Total capitalization	**480,594,430**	215,411,964
Total net indebtedness to total capitalization ratio	**5%**	(106)%

As at December 31, 2022, the Company was in compliance with all of its obligations under the terms of its banking agreements (Note 12). Management reviews its capital management approach on an ongoing basis and believes that this approach is appropriate given the relative size of the Group. There were no changes in the Company's approach to capital management during the years ended December 31, 2022 and 2021.

25 - SUBSEQUENT EVENTS

25.1 Over-allotment Option on December 2022 Offering

On January 17, 2023, the Company announced the exercise and closing of the underwriters' over-allotment option in full, to purchase an additional 2,952,755 Units at a price of $2.54 per unit with respect to the December 2022 Units Offering (refer to Note 22.4). This resulted in aggregate gross proceeds to the Group of $7,499,998, and for aggregate net proceeds of $7,005,783 after the deduction of underwriting commission and offering costs of $494,215.

25 - SUBSEQUENT EVENTS (CONTINUED)

25.2 Sale-leaseback

On February 2, 2023, the Group completed a sale-leaseback transaction with BTB Real Estate Investment Trust for its battery manufacturing building located in Mirabel, Quebec for a total purchase price of $21,033,654 (CA$28,000,000). Concurrent with the sale, Lion entered into a lease agreement with BTB for the Mirabel battery manufacturing building, with an initial 20-year term and subsequent renewal options.

On February 13, 2023, net proceeds from the sale-leaseback transaction, together with cash from operating activities, were used to repay $22,483,699 (CA$30,000,000) under the revolving credit facility, representing a portion of the Company's total drawings under its revolving credit facility.

CERTIFICATION

I, Marc Bedard, certify that:

1. I have reviewed the annual report on Form 40-F of The Lion Electric Company ("The Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 10, 2023

(s) Marc Bedard
Marc Bedard
Chief Executive Officer and Founder

CERTIFICATION

I, Nicolas Brunet, certify that:

1. I have reviewed the annual report on Form 40-F of The Lion Electric Company ("The Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 10, 2023

(s) Nicolas Brunet
Nicolas Brunet
Executive Vice-President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F of The Lion Electric Company (the "Company") for the year ended December 31, 2022 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Bedard, Chief Executive Officer and Founder of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2023

(s) Marc Bedard
Marc Bedard
Chief Executive Officer and Founder

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F of The Lion Electric Company (the "Company") for the year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Nicolas Brunet, Executive Vice-President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2023

(s) Nicolas Brunet
Nicolas Brunet
Executive Vice-President and Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We have issued our report dated March 9, 2023, with respect to the consolidated financial statements included in the Annual Report of The Lion Electric Company on Form 40-F for the year ended December 31, 2022.

We hereby consent to the inclusion in this Annual Report of The Lion Electric Company on Form 40-F for the fiscal year ended December 31, 2022 of said report, which appears in Exhibit 99.3 in this Annual Report.

We also consent to the incorporation by reference of said report in the Registration Statement of The Lion Electric Company on Form F-10 (File No. 333-265627). We also consent to the reference to us under the heading “Interest of Experts”, which appears in the Annual Information Form included in Exhibit 99.1 to this Annual Report on Form 40-F, which is incorporated by reference in such Registration Statement.

/s/ Raymond Chabot Grant Thornton LLP

Montreal, Canada
March 10, 2023