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XTI Aerospace Provides Update on Former Subsidiary Spin-Off Distribution and Proposed Business Combination with Damon Motors

ENGLEWOOD, Colo., May 28, 2024 /PRNewswire/ -- XTI Aerospace, Inc. (NASDAQ: XTIA) ("XTI" or the "Company") today provided an update on the [previously announced](#) spin-off (the "Spin-off") and proposed business combination between its former subsidiary Grafiti Holding Inc. ("Grafiti") and Damon Motors, Inc. ("Damon"), the maker of the acclaimed HyperSport electric motorcycle (the "Business Combination"). The Damon HyperSport is expected to be one of the safest, smartest, and most powerful motorcycles available in the market with 200 hp, speeds of up to 200 mph, and a range of 200 miles. Additional information about Damon is available at: <https://damon.com/>.



As [previously announced](#), the Company's board of directors set December 27th, 2023 as the record date ("Record Date") for determining the holders of the Company's outstanding capital stock and certain other securities (the "Record Date Securityholders") entitled to the distribution of all the outstanding shares of Grafiti owned by the Company as of the Record Date (the "Spin-off Shares"). The registration statement that was confidentially submitted by Grafiti with the Securities and Exchange Commission ("SEC") in connection with the distribution of Spin-off Shares (the "Registration Statement") is progressing through the SEC review process. The closing of the Business Combination is also subject to the clearance of a non-offering prospectus to be filed by Grafiti with the British Columbia Securities Commission relating to the issuance of Grafiti shares to Damon securityholders in connection with the Business Combination, among other conditions contained in the previously reported business combination agreement between Grafiti and Damon. Upon the completion of the Business Combination, the combined company expects to list on the Nasdaq Stock Market ("Nasdaq"), subject to the approval of an initial listing application which

has been submitted to Nasdaq. The transaction is currently expected to close in the coming months, subject to obtaining the necessary regulatory approvals and satisfaction of other closing conditions described below and in our filings with the SEC.

On the Record Date, the Company transferred all of the Spin-off Shares to a liquidating trust for the benefit of the Record Date Securityholders. As a result, the Spin-off Shares are no longer held by the Company and are currently held by the trust pending the effectiveness of the Registration Statement.

Following the effectiveness of the Registration Statement, the trust will deliver the Spin-off Shares to the Record Date Securityholders on a pro rata basis. During the period that the trust remains in possession of the Spin-off Shares, and during the period from their delivery to the Record Date Securityholders until the closing of the Business Combination, the beneficial interests in such shares will not be certificated or tradable and will not be transferrable. After the consummation of the Business Combination, 80% of the Spin-off Shares will be subject to lock-up restrictions, subject to release in two equal tranches at 90 days and 180 days after consummation of the Business Combination, subject to earlier release of all the locked-up shares if the shares sustain a specified trading threshold on Nasdaq.

For U.S. federal and applicable state income tax purposes, the Record Date Securityholders have been deemed to receive a distribution of the Spin-off Shares from XTI as of the Record Date.

The Record Date Securityholders and certain members of Grafiti's current management and XTI's former management holding Grafiti common shares immediately prior to the closing of the Business Combination are anticipated to retain approximately 18.75% of the outstanding capital stock of the combined company determined on a fully diluted basis.

The Record Date Securityholders do not need to take any action. Following the closing of the Business Combination, Record Date Securityholders will continue to hold, along with their new common shares of Grafiti, the same number of shares of the Company's common stock that they held immediately prior to the closing of the Business Combination.

Factors that May Affect the Distribution and Spin-off

The distribution of the Spin-off Shares to the Record Date Securityholders is conditioned upon the effectiveness of the Registration Statement. In addition, the Business Combination is subject to the satisfaction or waiver of certain closing conditions, including approval of the Business Combination by Damon securityholders, approval by the Supreme Court of British Columbia of a Plan of Arrangement for purposes of compliance with the exemption from registration provided by Section 3(a)(10) under the Securities Act of 1933, as amended, in connection with the issuance by Grafiti of the merger consideration to Damon securityholders, as well as approval by Nasdaq to list the shares of the combined company. No assurance can be provided as to the timing of the completion of the distribution and the Business Combination or that all conditions to the Spin-off or the Business Combination will be satisfied. XTI and Grafiti expect that there will be no public trading market for the shares of Grafiti until or unless the Business Combination is consummated.

About XTI Aerospace, Inc.

XTI Aerospace (XTIAerospace.com) is the parent company of XTI Aircraft Company (XTIAircraft.com), an aviation business based near Denver, Colorado, currently developing the TriFan 600, a fixed-wing business aircraft designed to have the vertical takeoff and landing (VTOL) capability of a helicopter, speeds of 345 mph and a range of 700 miles, creating an entirely new category – the vertical lift crossover airplane (VLCA). Additionally, the Inpixon (inpixon.com) business unit of XTI Aerospace is a leader in RTLS technology with customers around the world who use the Company's location intelligence solutions in factories and other industrial facilities to help optimize operations, increase productivity, and enhance safety. For more information about XTI Aerospace, please visit XTIAerospace.com.

About Damon Motors, Inc.

Damon Motors seeks to disrupt urban mobility, led by entrepreneurs and executives from world-class EV and technology companies. With its offices in San Rafael, California and headquartered in Vancouver, Canada, Damon is on a mission to cause a paradigm shift for safer, smarter motorcycling. Anchored by its proprietary electric powertrain, HyperDrive™, Damon has captured the attention of the motorcycling world by delivering 200 hp, a top speed of 200 mph, 200 miles of range, innovative design, and new safety features, including CoPilot™ and Shift™, which are attracting an entirely new generation of motorcycle riders. With strong consumer interest in the US and abroad, Damon aims to set a new standard for motorcycle safety and sustainability worldwide. For more information on how Damon technology is defining the new industry standard, please visit damon.com.

About Grafiti Holdings, Inc.

Grafiti Holding is the holding company of Grafiti Limited (collectively, Grafiti"), which is based in the United Kingdom and offers a comprehensive set of powerful and versatile data analytics and statistical visualization solutions for engineers and scientists. Grafiti's mission is to revolutionize data analysis and visualization for students and science and engineering professionals, providing them with the next generation tools to transform complex data into meaningful insights and groundbreaking results. These products help: scientific research in the health and life sciences domain in the discovery of new drugs; engineers in connection with a multitude of applications including but not limited to, studying signal attenuation and propagation in radio engineering and surface panel design for automobile and motorcycle aerodynamics, curve fitting, and calculated asymmetry among others. For more information about Grafiti please visit <https://grafiti.co.uk/>.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains certain "forward-looking statements" 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 Securities Exchange Act of 1934, as amended, including forward-looking statements regarding the proposed business combination between Grafiti and Damon (the "Proposed Damon Transaction"). All statements other than statements of historical fact contained in this press release, including statements regarding the anticipated benefits of the Proposed Damon Transaction, the anticipated timing of the completion of the Proposed Damon Transaction, the anticipated Nasdaq listing of shares of the combined company following the Proposed Damon Transaction, the products under development by Damon and the markets in which it plans to operate, the advantages of Damon's technology, Damon's competitive landscape and positioning, and Damon's growth plans and strategies,

are forward-looking statements. Some of these forward-looking statements can be identified by the use of forward-looking words, including "may," "should," "expect," "intend," "will," "estimate," "anticipate," "believe," "predict," "plan," "targets," "projects," "could," "would," "continue," "forecast" or the negatives of these terms or variations of them or similar expressions. All forward-looking statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. All forward-looking statements are based upon estimates, forecasts, and assumptions that, while considered reasonable by XTI and Grafiti and their respective management, and Damon and its management, are inherently uncertain and many factors may cause the actual results to differ materially from current expectations which include, but are not limited to:

- the risk that the Proposed Damon Transaction may not be completed in a timely manner or at all;
- the risk that the public market valuation of the combined company following the consummation of the Proposed Damon Transaction could be lower than the valuation range ascertained by the parties to the Proposed Damon Transaction and their respective financial advisors, and that the bid price valuation to be ascertained by an independent financial advisor to Grafiti in connection with the application for listing of the Spinoff Shares on Nasdaq could be lower than the valuation ascertained by XTI's independent financial advisor in connection with the Proposed Damon Transaction;
- the failure to satisfy the conditions to the consummation of the Proposed Damon Transaction, including receiving the necessary approvals from the Damon Securityholders and the Supreme Court of British Columbia with respect to the Plan of Arrangement;
- the inability to satisfy the initial listing criteria of Nasdaq or obtain Nasdaq approval of the initial listing of the combined company shares on Nasdaq;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Proposed Damon Transaction;
- the effect of the announcement or pendency of the Proposed Damon Transaction on XTI, Grafiti and Damon's business relationships, performance, and business generally;
- risks that the Proposed Damon Transaction disrupts current plans of Grafiti and Damon and potential difficulties in their employee retention as a result of the Proposed Damon Transaction;
- the outcome of any legal proceedings that may be instituted against Damon, Grafiti or XTI related to the Proposed Damon Transaction;
- failure to realize the anticipated benefits of the Proposed Damon Transaction;
- the risk that the price of the securities of the combined company may be volatile due to a variety of factors, including changes in the highly competitive industries in which Grafiti and Damon operate, variations in performance across competitors, changes in laws, regulations, technologies that may impose additional costs and compliance burdens on Grafiti and Damon's operations, global supply chain disruptions and shortages, and macro-economic and social environments affecting Grafiti and Damon's business and changes in the combined capital structure;
- the inability to implement business plans, forecasts, and other expectations after the completion of the Proposed Damon Transaction, and identify and realize additional opportunities;
- the risk that Damon has a limited operating history, has not achieved sufficient sales and production capacity at a mass-production facility, and Damon and its current and

future collaborators may be unable to successfully develop and market Damon's motorcycles or solutions, or may experience significant delays in doing so;

- the risk that the combined company may never achieve or sustain profitability;
- the risk that Damon and the combined company may be unable to raise additional capital on acceptable terms to finance its operations and remain a going concern;
- the risk that the combined company experiences difficulties in managing its growth and expanding operations;
- the risk that Damon's non-binding reservations are canceled, modified, delayed or not placed and that Damon must return the refundable deposits and such reservations are not converted to sales;
- the risks relating to Damon's ability to satisfy the conditions and deliver on the orders and reservations, its ability to maintain quality control of its motorcycles, and Damon's dependence on third parties for supplying components and manufacturing the motorcycles;
- the risk that other motorcycle manufacturers develop competitive electric motorcycles or other competitive motorcycles that adversely affect Damon's market position;
- the risk that Damon's patent applications may not be approved or may take longer than expected, and Damon may incur substantial costs in enforcing and protecting its intellectual property;
- the risk that Damon's estimates of market demand may be inaccurate; and
- other risks and uncertainties set forth in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in XTI's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on April 16, 2024, and Quarterly Report on Form 10-Q for the quarterly period thereafter, as such factors may be updated from time-to-time in XTI's filings with the SEC, and the registration statement to be filed with the SEC by Grafiti in connection with the Spin-off. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements.

Nothing in this press release should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Neither XTI, Grafiti nor Damon gives any assurance that any of XTI, Grafiti or Damon or the combined company resulting from the Proposed Damon Transaction will achieve its expected results. Neither XTI, Grafiti nor Damon undertakes any duty to update these forward-looking statements, except as otherwise required by law.

Important Information About the Proposed Damon Transaction and Where to Find It

In connection with the Spin-off, Grafiti has confidentially submitted with the SEC the Registration Statement for the purpose of registering Grafiti's common shares. Grafiti will also file a preliminary and final non-offering prospectus with the British Columbia Securities Commission relating to the Proposed Damon Transaction. This press release does not contain all the information that should be considered concerning the Spin-off and the Proposed Damon Transaction and is not a substitute for any other documents that Grafiti may file with the SEC, or that Damon may file with the British Columbia Securities Commission or transmit to securityholders in connection with the Proposed Damon

Transaction. It is not intended to form the basis of any investment decision or any other decision in respect to the Proposed Damon Transaction. Damon's securityholders and the Record Date Securityholders and other interested persons are advised to read, when available, the Registration Statement together with its exhibits, as these materials will contain important information about Grafiti, Damon, and the Proposed Damon Transaction.

The Registration Statement, upon effectiveness, and other documents to be filed by Grafiti with the SEC will also be available free of charge, at the SEC's website at www.sec.gov/edgar, or by directing a request to: Grafiti Holding Inc., 169 Bath Road, Slough, United Kingdom.

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