# FORM 5

## QUARTERLY LISTING STATEMENT

Name of Listed Issuer: TUGA Innovations, Inc. (the "Issuer").

Trading Symbol: TUGA

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Interim Financial Statements for the six months ended January 31, 2022 (the "**Financial Statements**"), as filed with the securities regulatory authorities are attached to this Form 5 as Appendix A.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to Note 7 of the Financial Statements for all information regarding the Issuer's related party transactions.

### 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

All securities issued by the Issuer have been disclosed in the Financial Statements.

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---|---|---|---|---|---|---|---|---|
| Jan. 24, 2022 | Common Shares | Exercise of Warrants | 15,000 | $0.25 | $3,750 | Cash | N/A | N/A |
| Dec. 15, 2021 | Common Shares | Exercise of Warrants | 34,977 | $0.25 | $8,744.25 | Cash | N/A | N/A |
| Dec. 2, 2021 | Common Shares | Deemed exercise of Subscription Receipts(1) | 11,118,750 | N/A | N/A | N/A | N/A | N/A |
| Dec. 2, 2021 | Warrants | Deemed exercise of Subscription Receipts(1) | 5,559,375 | N/A | N/A | N/A | N/A | N/A |

**Notes:**

(1) The Common Shares and Warrants were issued pursuant to the conversion of Subscription Receipts previously issued by the Issuer pursuant to a subscription receipt agreement dated August 27, 2021 between the Issuer and Odyssey Trust company.

(b) summary of options and RSUs granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|---|---|---|---|---|---|---|
| Dec. 29, 2021 | 100,000 RSUs(1) | Director | Director | N/A | N/A | $0.78 |
| Dec. 29, 2021 | 2,241,500 RSUs(2) | Consultants | Consultants | N/A | N/A | $0.78 |
| Dec. 8, 2021 | 200,000 | Directors | Directors | $0.40 | December 8, 2023 | N/A |
| Dec. 2, 2021 | 187,500 RSUs(3) | Officer | Officer | N/A | N/A | N/A |

**Notes:**

(1) These RSUs vest on April 29, 2022.

(2) 2,000,000 of these RSUs vest on April 29, 2022 and 80,500 RSUs vest on April 9, 2022. The remaining 161,000 RSUs vest on an aggregate monthly basis of 20,125 RSUs per month from May to December 2022. 241,500 RSUs were granted on December 29, 2021 and issued on January 1, 2022.

(3) The Issuer's board of directors approved the grant of RSUs on November 10, 2021. The grant was subject to the Issuer's omnibus equity incentive compensation plan becoming effective upon conversion of subscription receipts on December 2, 2021. The RSUs will vest monthly over twelve months.

## 3. Summary of securities as at the end of the reporting period.

A summary of the securities as at the end of the reporting period has been provided in the Financial Statements.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

| **Description** | **Number (as at January 31, 2022)** | **Number Released during the Period** |
|---|---|---|
| Common Shares[(1)(2)] | 15,000,000 | Nil |
| Management Performance Warrants[(1)(2)] | 30,000,000 | Nil |
| Common Shares[(3)] | 11,118,750 | Nil |
| Warrants[(3)] | 5,559,375 | Nil |

**Notes:**

(1) 15,000,000 Common Shares and 30,000,000 Management Performance Warrants are subject to an escrow agreement dated June 30, 2021 between the Issuer, Odyssey Trust Company and certain securityholders. 10% of the escrowed securities were released on the date the Issuer's Common Shares were listed for trading on the CSE on December 9, 2021, with the remaining escrow securities being released in 15% tranches every 6 months thereafter.

(2) 15,000,000 Common Shares and 30,000,000 Management Performance Warrants are also subject to voluntary resale restrictions pursuant to which the Common Shares and Management Performance Warrants (and the underlying Common Shares) are subject to a voluntary six-month hold period until June 9, 2022.

(3) 11,118,750 Subscription Receipts were converted into units comprising an aggregate of 11,118,750 Common Shares and 5,559,375 warrants on December 2, 2021. Each whole warrant is exercisable into one Common Share

at a price of $1.00 until June 9, 2023. The underlying shares and warrants are subject to a four-month voluntary resale restriction until April 9, 2022.

## 4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

| Name | Position |
|---|---|
| John Hagie(1) | Chief Executive Officer and Director |
| Faizaan Lalani | Chief Financial Officer, Corporate Secretary, Director |
| Kraig Schultz | Chief Technology Officer and Director |
| Cesar Barbosa | Vice-President |
| António Câmara | Director |
| Daren Hermiston | Director |
| Ross Plummer(2) | Chief Marketing Officer |

**Notes:**

(1) John Hagie was appointed as a director of the Issuer effective January 17, 2022 following Edmundo Nobre's resignation as a director of the Issuer effective January 7, 2022.

(2) Ross Plummer was appointed as Chief Marketing Officer of the Issuer effective January 17, 2022.

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion and Analysis of TUGA Innovations, Inc. for the Six Months ended January 31, 2022, as filed with the securities regulatory authorities, is attached to this Form 5 as Appendix B.

**Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated March 29, 2022.

Faizaan Lalani
Name of Director or Senior Officer

/s/Faizaan Lalani
Signature

CFO
Official Capacity

| ***Issuer Details***<br>Name of Issuer<br><br>TUGA Innovations, Inc. | For Quarter Ended<br><br>January 31, 2022 | Date of Report<br>YY/MM/D<br><br>22/03/29 |
|---|---|---|
| Issuer Address<br><br>409 Granville Street, Suite 1000 | | |
| City/Province/Postal Code<br><br>Vancouver, British Columbia V6C 1T2 | Issuer Fax No.<br>( )<br><br>N/A | Issuer Telephone No.<br>( )<br><br>604 602-0001 |
| Contact Name<br><br>Faizaan Lalani | Contact Position<br><br>CFO | Contact Telephone No.<br><br>604 602-0001 |
| Contact Email Address<br><br>faizaan.lalani@tugainnovations.com | Web Site Address<br><br>https://tugainnovations.com/ | |

## Schedule “A”

***[See attached]***

**TUGA INNOVATIONS, INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended January 31, 2022 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**TUGA INNOVATIONS, INC.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at January 31, 2022 and July 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | January 31, 2022 | July 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | $ 2,911,678 | $ 471,606 |
| Amounts receivable (Note 7) | 38,840 | 7,419 |
| Prepaid expenses | 323,259 | - |
| | 3,273,777 | 479,025 |
| Patents | 11,623 | 11,388 |
| | $ 3,285,400 | $ 490,413 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | $ 151,380 | $ 113,999 |
| | 151,380 | 113,999 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 6) | 4,880,134 | 795,190 |
| Commitment to issue shares | - | 98,606 |
| Contributed surplus | 705,553 | 50,500 |
| Accumulated other comprehensive loss | (19,417) | (9,542) |
| Deficit | (2,432,250) | (558,340) |
| | 3,134,020 | 376,414 |
| | $ 3,285,400 | $ 490,413 |

Going concern (Note 2)
Subsequent events (Note 10)

APPROVED ON BEHALF OF THE BOARD:

*"Faizaan Lalani"* Director
Faizaan Lalani

*"Daren Hermiston"* Director
Daren Hermiston

**TUGA INNOVATIONS, INC.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three months ended January 31, 2022 and 2021
for the six months ended January 31, 2022 and for the period from September 1, 2020 (date of inception) to January 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | For the three months ended January 31, | | For the six months ended January 31, | For the period Sep. 1, 2020 to January 31, |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Administrative expenses | | | | |
| Consulting fees (Note 7) | $ 283,901 | $ - | $ 466,929 | $ - |
| Filing fees | 11,686 | - | 21,846 | - |
| Marketing | 188,872 | 422 | 233,216 | 4,513 |
| Office and general | 34,104 | 55 | 50,966 | 118 |
| Professional fees | 84,682 | 18,351 | 162,141 | 36,114 |
| Research and development expenses | 222,913 | - | 358,809 | - |
| Share-based payments (Note 7) | 552,683 | - | 552,683 | - |
| Travel and promotion | 14,494 | - | 27,320 | - |
| Net loss for the period | (1,393,335) | (18,828) | (1,873,910) | (40,745) |
| Other comprehensive loss | | | | |
| Loss on translation of foreign operations | (7,885) | - | (9,875) | - |
| Total comprehensive loss for the period | $ (1,401,220) | $ (18,828) | $ (1,883,785) | $ (40,745) |
| Basic and diluted loss per share | $ (0.04) | $ (18,828) | $ (0.05) | $ (40,745) |
| Weighted average number of common shares outstanding | 38,447,027 | 1 | 34,811,679 | 1 |

**TUGA INNOVATIONS, INC.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the six months ended January 31, 2022 and for the period from September 1, 2020 (date of inception) to January 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Number of Shares | Share Capital | Share Subscriptions Received | Contributed Surplus | Accumulated other Comprehensive Income | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, September 1, 2020 | 1 | $ - | $ - | $ - | $ - | $ - | $ - |
| Share subscriptions received | - | - | 23,072 | - | - | - | 23,072 |
| Comprehensive loss for the period | - | - | - | - | - | (40,745) | (40,745) |
| Balance, January 31, 2021 | 1 | $ - | $ 23,072 | $ - | $ - | $ (40,745) | $ (17,673) |
| Balance, July 31, 2021 | 31,176,332 | $ 795,190 | $ 98,606 | $ 50,500 | $ (9,542) | $ (558,340) | $ 376,414 |
| Subscriptions received | - | - | 4,348,894 | - | - | - | 4,348,894 |
| Private placement | 11,118,750 | 4,447,500 | (4,447,500) | - | - | - | - |
| Share issue cost cash | - | (272,680) | - | - | - | - | (272,680) |
| Fair value of agent's warrants issued | - | (102,370) | - | 102,370 | - | - | - |
| Share purchase warrants exercised | 49,977 | 12,494 | - | - | - | - | 12,494 |
| Share-based payments - RSU | - | - | - | 510,683 | - | - | 510,683 |
| Share-based payments - Options | - | - | - | 42,000 | - | - | 42,000 |
| Comprehensive loss for the period | - | - | - | - | (9,875) | (1,873,910) | (1,883,785) |
| Balance, January 31, 2022 | 42,345,059 | $ 4,880,134 | $ - | $ 705,553 | $ (19,417) | $ (2,432,250) | $ 3,134,020 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**TUGA INNOVATIONS, INC.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended January 31, 2022 and
for the period from September 1, 2020 (date of inception) to January 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | For the six months ended January 31, 2022 | For the period from September 1, 2020 to January 31, 2021 |
|---|---|---|
| Operating Activities | | |
| Net loss for the period | $ (1,873,910) | $ (40,745) |
| Items not affecting cash: | | |
| Share-based payments | 552,683 | - |
| Changes in non-cash working capital items related to operations: | | |
| Amounts receivable | (31,421) | - |
| Prepaid expenses | (323,259) | - |
| Accounts payable and accrued liabilities | 37,381 | 24,013 |
| Cash used in operating activities | (1,638,526) | (16,732) |
| Financing Activities | | |
| Shares subscriptions received | 4,361,388 | 23,072 |
| Share issue cost – cash | (272,680) | - |
| Cash provided by financing activities | 4,088,708 | 23,072 |
| Effect of foreign exchange on cash | (10,110) | - |
| Change in cash for the period | 2,440,072 | 6,340 |
| Cash, beginning of period | 471,606 | - |
| Cash, end of the period | $ 2,911,678 | $ 6,340 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the period: | | |
| Interest | $ - | $ - |
| Income taxes | $ - | $ - |

## 1. CORPORATE INFORMATION

TUGA Innovations, Inc. (the "Company" or "TUGA") was incorporated on April 7, 2021 under the name 1298562 B.C. Ltd. in British Columbia and is the parent company of TUGA-Global, Inc. ("TUGA-Global"). The Company's principal business activity is to reduce urban mobility difficulties by developing a three-wheeled, fully electric fore-and-aft 2 seat vehicle. The Company's registered office is 1200 – 750 West Pender Street, Vancouver, BC V6C 2T8 and its head office is located at 409 Granville Street, Suite 1000, Vancouver, British Columbia V6C 1T2. The principle place of business is 11919 Mill Lane, Grand Haven, Michigan, 49417.

On June 30, 2021, the Company completed the proposed arrangement with TUGA-Global by way of reverse triangular merger under the provisions of the Michigan Business Corporation Act. (the "Merger"). Pursuant to the Merger TUGA-Global became a wholly-owned subsidiary of TUGA for legal purposes and the Company changed its name to TUGA Innovations, Inc. (See Note 5)

On November 30, 2021, the Company filed its long form prospectus and on December 2, 2021, received approval for listing on the Canadian Securities Exchange and commenced trading on December 9, 2021 under the trading symbol "TUGA".

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2022.

### (b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

## 2. BASIS OF PREPARATION – (cont'd)

### (c) Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At January 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $2,432,250 (July 31, 2021 - $558,340) since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

There was a global pandemic outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada and the United States. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at July 31, 2021.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

### Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)

**Going Concern**

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 2(c).

## 5. REVERSE TAKEOVER

As described in Note 1, on June 30, 2021, TUGA-Global completed the Merger with TUGA and TUGA-MergeCo, Inc. ("TUGA MergeCo"), a newly incorporated wholly-owned subsidiary of TUGA incorporated under the laws of Michigan on May 6, 2021 for the sole purpose of this merger. As a result of the transaction, the Company issued 24,950,000 common shares to TUGA-Global shareholders at the ratio of 38.2263 to 1 (the "Exchange Ratio").

The transaction constituted a reverse acquisition of TUGA and had been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As TUGA did not qualify as a business according to the definition in IFRS 3, this reverse acquisition was accounted for as an asset acquisition by the issuance of share of the Company, for the net assets of TUGA. The consideration paid was determined as equity settled share-based payment under IFRS 2, at the fair value of the equity of TUGA-Global retained by the shareholders of TUGA based on the fair value of TUGA-Global's common shares on the date of closing of the RTO at $1.53 per share divided by the Exchange Ratio. As a result of the transaction, the Company assumed 10,100,000 share purchase warrants valued at $50,500. The share purchase warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.65%; Volatility of 100%; Stock price of $0.04; Exercise price of $0.25 and $1.00; Dividend yield of Nil% and expected life of 3 years.

For accounting purposes, TUGA-Global has been treated as the accounting parent company (legal subsidiary) and TUGA has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As TUGA-Global was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying value.

| | | |
|---|---|---|
| Fair value consideration | | |
| 6,226,332 notional common shares of TUGA at $0.04 per share | $ | 247,281 |
| Fair value of share purchase warrants assumed | | 50,500 |
| | $ | 297,781 |
| | | |
| Allocated to the fair value of TUGA's net assets as follows: | | |
| Cash | $ | 304,901 |
| Accounts receivable | | 3,837 |
| Share subscriptions receivable | | 25,050 |
| Liabilities | | (76,007) |
| Net assets acquired | | 257,781 |
| | | |
| Transaction expense | $ | 40,000 |

## 6. SHARE CAPITAL

### (a) Authorized

Unlimited common shares with no par value.

### (b) Issued

During the six months ended January 31, 2022:

On August 27, 2021 and September 23, 2021, the Company issued an aggregate of 11,118,750 subscription receipts (the "Subscription Receipts") at a price of $0.40 per subscription receipt for total proceeds of $4,447,500. Each Subscription Receipt entitles the holder thereof to receive, without payment of additional consideration or further action on the part of the holder, one unit of the Company (a "Unit") on the date (the "Conversion Date") that is five (5) Business Days after the later of the date that: (i) the Company obtains a Final Receipt for this Prospectus in Canada; and (ii) the receipt of conditional approval of the Canadian Securities Exchange or any other recognized Canadian or United States stock exchange for the listing (the "Escrow Release Conditions"). Each Unit is comprised of one common share and one-half of one transferable share purchase warrant (the "Qualified Warrants"), with each Qualified Warrant entitling the holder thereof to acquire one common share at a price of $1.00 for a period of 18 months from the Conversion Date. On August 27, 2021, the Company paid aggregate finder's fees in the amount of $54,250 and issued a total of 135,625 finder's warrants (the "Finder's Warrants") in connection with the first tranche closing of the Subscription Receipt private placement. Each Finder's Warrant is exercisable into a common share at $0.40 per common share until the date that is the earlier of (i) the date that is two years following the issuance date and (ii) the date that is 18 months from the Conversion Date. As at August 27, 2021, the Company fair valued the finder's warrants at $27,125 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of $0.40, expected volatility – 100%, risk-free interest rate – 0.45%, exercise price of $0.40 and an expected average life of 18 months. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

On December 2, 2021, the Company converted the Subscription Receipts into 11,118,750 units. Each Unit is comprised of one common share and one-half of one transferable share purchase warrant (the "Qualified Warrants"), with each Qualified Warrant entitling the holder thereof to acquire one common share at a price of $1.00 for a period of 18 months from June 9, 2023. The Company paid a cash finders' fee of $179,060 and issued 396,025 Finder's Warrants. The Company fair valued the finders' warrants at $75,245 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of $0.40, expected volatility – 100%, risk-free interest rate – 0.95%, exercise price of $0.40 and an expected average life of 18 months. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

During the period ended July 31, 2021:

On February 14, 2021, TUGA-Global issued 360,000 common shares at a price of $0.381 for total consideration of $137,305. These shares were eliminated upon the RTO and exchanged into the Company's shares.

On April 15, 2021, TUGA-Global issued 32,400 common shares at a price of $0.381 for total consideration of $12,357. These shares were eliminated upon the RTO and exchanged into the Company's shares.

**6. SHARE CAPITAL –** (cont'd)

**(b) Issued** – (cont'd)

During the period ended July 31, 2021: - (cont'd)

On June 1, 2021, TUGA-Global issued 260,292 units at a price of $1.53 for total cash proceeds of $398,247. Each unit consist of one common share and 2 share purchase warrants. A total of 260,292 share purchase warrants exercisable are at $9.56 per share until June 1, 2024 and 260,292 share purchase warrants are exercisable at $38.23 per share until June 1, 2024. These shares and share purchase warrants were eliminated upon the RTO and exchanged into the Company's shares and share purchase warrants.

On June 30, 2021, a reverse acquisition transaction was completed whereby the Company acquired all of the issued and outstanding 652,692 common shares of TUGA-Global on the basis of 38.2263 for a total of 24,950,000 common shares of the Company issued to the previous shareholders of TUGA-Global (Note 5).

**(c) Share Purchase Warrants**

The changes in share purchase warrants were as follows:

| | January 31, 2022 | Weighted Average Exercise Price | July 31, 2021 | Weighted Average Exercise Price |
|---|---|---|---|---|
| Balance, beginning of period | 30,000,000 | $ 0.63 | - | $ - |
| Elimination of TUGA-GLOBAL | - | - | (520,584) | (23.90) |
| Exchange on ratio of 38.2263 to 1 | - | - | 19,900,000 | 0.63 |
| Assumed from TUGA | - | - | 10,100,000 | 0.63 |
| Issued | 5,559,375 | $ 1.00 | 520,584 | 23.90 |
| Exercised | (49,977) | $ 0.25 | - | - |
| Balance, end of period | 35,509,398 | $ 0.68 | 30,000,000 | $ 0.63 |

As at January 31, 2022, the Company had share purchase warrants outstanding as follows:

| Outstanding | Exercise Price | Expiry Date |
|---|---|---|
| 5,559,375 | $1.00 | June 9, 2023 |
| 5,050,000 | $0.25 | May 17, 2024 |
| 9,900,023 | $0.25 | June 1, 2024 |
| 5,050,000 | $1.00 | May 17, 2024 |
| 9,950,000 | $1.00 | June 1, 2024 |
| 35,509,398 | | |

As at January 31, 2022, the share purchase warrants have a weighted average remaining life of 2.17 years.

Subsequent to January 31, 2022, 49,962 share purchase warrants were exercised for total proceeds of $12,490.

**6. SHARE CAPITAL** – (cont'd)

**(d) Agent's Warrants**

The changes in agent's warrants were as follows:

| | January 31, 2022 | Weighted Average Exercise Price | July 31, 2021 | Weighted Average Exercise Price |
|---|---|---|---|---|
| Balance, beginning of period | - | $ - | - | $ - |
| Issued | 531,650 | 0.40 | - | - |
| Balance, end of period | 531,650 | $ 0.40 | - | $ - |

As at January 31, 2022, the Company had agent's warrants expiring on June 9, 2023 with a weighted average remaining life of 1.35 years.

**(e) Performance Warrants**

On June 30, 2021, the Company issued 30,000,000 performance warrants to management and directors of the Company in three equal tranches upon attainment of the following milestones, which expire on June 30, 2025. 10,000,000 performance warrants are exercisable into one common share of the Company with no additional consideration, upon regulatory process are complete in the first targeted geography (California) such that TUGA vehicles may be sold, insured and driven on public roads. 10,000,000 performance warrants are exercisable into one common share of the Company with no additional consideration, when TUGA can successfully communicate with targeted users, take orders and receive their funds (500 pre-orders or orders); and 10,000,000 performance warrants are exercisable into one common share of the Company with no additional consideration, upon TUGA has successfully produced in defined quantities 350 units of the vehicle. This implies that the operational production tooling is in place, partners to supply are identified and supplying in a timely manner and the internal process controls, and financial flows are managed. The Company recorded $nil in share-based compensation in relation to the performance warrants due to the uncertainty of achieving the milestones at this time.

**(f) Escrow Shares**

15,000,000 common shares from the June 30, 2021 share issuances will be held in escrow. Under the escrow agreement, 10% of the shares will be released on the Listing Date with the remaining 90% to be released in equal tranches at six-month intervals over the 36 months following the Listing Date. As at January 31, 2022, 13,500,000 (July 31, 2021 – 15,000,000) common shares are held in escrow with the next release on June 9 2022.

**(g) Stock Options**

On December 2, 2021, the Company adopted an equity incentive plan under which it is authorized to grant to officers, directors, employees and consultants enabling them to acquire up to 5% of the issued and outstanding common share of the Company. The options can be granted for a maximum of 10 years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the fair market value of the common shares. The maximum number of equity available for award shall be equal to 10% of the issued and outstanding shares on a rolling basis.

**6. SHARE CAPITAL** – (cont'd)

**(g) Stock Options** – (cont'd)

On December 8, 2021, the Company granted 200,000 stock options to directors of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at $0.40 per share expiring on December 8, 2023. The stock option vest at the date of grant. The fair value of the stock options of $42,000 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of $0.40; Risk-free interest rate of 0.99%; Dividend yield of 0%; Expected life of 2 years; forfeiture rate of 0% and Expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies. During the period ended January 31, 2022, the Company recorded $42,000 in share-based payments.

The changes in stock options were as follows:

| | January 31, 2022 | Weighted Average Exercise Price | July 31, 2021 | Weighted Average Exercise Price |
|---|---|---|---|---|
| Balance, beginning of period | - | $ - | - | $ - |
| Issued | 200,000 | 0.40 | - | - |
| Balance, end of period | 200,000 | $0.40 | - | $ - |

As at January 31, 2022, the Company had 200,000 stock options outstanding as follows:

| Number of Stock Options | Exercisable | Exercise Price | Expiry Date |
|---|---|---|---|
| 200,000 | 200,000 | $0.40 | December 8, 2023 |

*Restricted Share Unit Plans*

On December 2, 2021, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") whereby the aggregate number of common shares issuable pursuant to the RSU Plan combined with all of the Company's other security based compensation arrangements, including the Company's Stock Option Plan, shall not exceed 20% of the Company's outstanding common shares.

On December 2, 2021, the Company granted 187,500 Restricted Share Unit ("RSU") to a consultant. After the first four months, the RSU will vest at 15,625 RSU every month thereafter. During the six months ended January 31, 2022, the Company recognized $25,001 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On December 29, 2021, the Company granted 2,100,000 RSU to a consultant and the CFO of the Company. The RSU vest four months after the date of grant. During the six months ended January 31, 2022, the Company recognized $443,066 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On January 1, 2022, the Company granted 241,500 RSU to consultants of the Company. 80,500 RSU will vest on April 9, 2022, with the remaining balance vesting at 20,125 RSU every month thereafter. During the six months ended January 31, 2022, the Company recognized $42,613 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

**6. SHARE CAPITAL** – (cont'd)

**(g) Stock Options** – (cont'd)

The changes in RSU were as follows:

| | January 31, 2022 | July 31, 2021 |
|---|---|---|
| Balance, beginning of period | - | - |
| Granted | 2,529,000 | - |
| Issued | - | - |
| Balance, end of period | 2,529,000 | - |

Subsequent to January 31, 2022, 2,000,000 RSU were issued.

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

| | Relationship | For the six months ended January 31, 2022 | For the period from September 1, 2020 to January 31, 2021 |
|---|---|---|---|
| Consulting fees | | | |
| 1196019 BC Ltd. | Controlled by Faizaan Lalani, CFO and Director | $ 47,000 | $ - |
| Schultz Engineering LLC | Controlled by Kraig Schultz, CTO and Director | $ 44,153 | - |
| Cesar Barbosa | Vice President | 24,061 | - |
| Antonio Camara | Director | 12,619 | - |
| Edmundo, Nobre | Director | 28,386 | - |
| Red Wave | Controlled by John Hagie, CEO and Director | 37,848 | - |
| | | 194,067 | - |
| Share-based payments | | | |
| Faizaan Lalani | CFO | 42,098 | - |
| Daren Hermiston | Director | 21,000 | - |
| | | $ 257,165 | $ - |

Included in accounts receivable as at January 31, 2022 was $13,533 (July 31, 2021 - $Nil) in employee advances to directors of the Company.

Included in accounts payable and accrued liabilities as at January 31, 2022 was $6,841 (July 31, 2021 - $Nil) to the CFO of the Company and a company controlled by a director of the Company for expense reimbursements.

## 8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject to. Capital of the Company comprises of cash and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period ended January 31, 2022.

## 9. FINANCIAL INSTRUMENTS AND RISKS

The company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them unless otherwise stated in the note.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at January 31, 2022, the Company had a working capital of $3,122,397 (July 31, 2021 – working capital of $365,026).

**9. FINANCIAL INSTRUMENTS AND RISKS** – (cont'd)

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. The Company's ability to raise capital to fund the continued research and development of the technology is subject to risks associated with fluctuations in market prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Interest rate risk**

The Company is not exposed to significant interest rate risk.

**Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of lithium and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Credit Risk**

Financial instruments that potentially expose the Company to credit risk is cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

**Fair Values**

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying value under the effective interest method.

**Fair Value Hierarchy**

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 10. Subsequent Events

Subsequent to January 31, 2022:

The Company granted an aggregate of 50,000 stock options to consultants of the Company exercisable at $0.75 to $1.02 per share expiring between February 23, 2024 to February 1, 2027. These stock options vested at the date of grant and on February 23, 2022, 20,000 stock options were exercised for total proceeds of $15,000.

The Company also issued an aggregate of 273,524 RSU to consultants of the Company of which 80,000 vested immediately and 193,524 vest at 33% on June 2, 2022 and 8% every month thereafter. On February 23, 2022, the Company issued 80,000 RSU.

## Schedule “B”

***[See attached]***

The following Management's Discussion and Analysis ("MD&A") is prepared as at March 29, 2022 in accordance with National Instrument 51-102F1, and should be read together with the unaudited consolidated interim financial statements for the six months ended January 31, 2022 and related notes and the audited consolidated financial statements for the period ended July 31, 2021 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's fiscal year end is July 31, with July 31, 2021 being the first year end. Additional information regarding the Company will be available through the SEDAR website at www.sedar.com.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of the date of the MD&A, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

All dollar figures are stated in Canadian dollars unless otherwise indicated.

## The Company's Business

TUGA Innovations, Inc. (the "Company" or "TUGA") was incorporated on April 7, 2021 under the name 1298562 B.C. Ltd. in British Columbia and is the parent company of TUGA-Global, Inc. ("TUGA-Global"). The Company's principal business activity is to reduce Urban Mobility difficulties by developing a three-wheeled, fully electric fore-and-aft 2 seat vehicle. The Company's registered office is 1200 – 750 West Pender Street, Vancouver, BC V6C 2T8 and its head office is located at 409 Granville Street, Suite 1000, Vancouver, British Columbia V6C 1T2. The principle place of business is 11919 Mill Lane, Grand Haven, Michigan, 49417.

On June 30, 2021, the Company completed the proposed business combination with TUGA-Global by way of a plan of arrangement under the provisions of the Michigan Business Corporation Act. (the "Arrangement"). Pursuant to the Arrangement, TUGA issued 24,950,000 common shares to the shareholders of TUGA-Global at a ratio of 38.2263 to 1 (the "Exchange Ratio") and TUGA-Global became a wholly-owned subsidiary of TUGA for legal purposes and the Company changed its name to TUGA Innovations, Inc.

The transaction constituted a reverse acquisition of TUGA and had been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As TUGA did not qualify as a business according to the definition in IFRS

3, this reverse acquisition was accounted for as an asset acquisition by the issuance of share of the Company, for the net assets of TUGA and its public listing. The consideration paid was determined as equity settled share-based payment under IFRS 2, at the fair value of the equity of TUGA-Global retained by the shareholders of TUGA based on the fair value of TUGA-Global's common shares on the date of closing of the RTO at $1.53 per share divided by the Exchange Ratio. As a result of the transaction, the Company assumed 10,100,000 share purchase warrants valued at $50,500. The share purchase warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.65%; Volatility of 100%; Stock price of $1.53 per share divided by the Exchange Ratio; Exercise price of $0.25 and $1.00; Dividend yield of Nil% and expected life of 3 years.

On November 30, 2021, the Company filed its long form prospectus and on December 2, 2021, received approval for listing on the Canadian Securities Exchange and commenced trading on December 9, 2021 under the trading symbol "TUGA".

## Description of the Business

TUGA-Global is a development-stage electric vehicle company who looks to improve Urban Mobility by the conception, design, and production of specialized EVs.

TUGA-Global is involved in an emerging field which aims to achieve equitable access to transportation services, increase economic productivity and decrease negative environmental impacts. The Company is seeking to develop and market a new class of vehicle of EVs. Once fully developed, will be an electric three-wheeled vehicle designed with a standard chassis upon which different bodies can be interchanged to meet a wide range of challenges faced when driving in urban centres. The Company plans to combine transportation and information systems into an innovative urban vehicle mobility solution: an efficient urban commuter vehicle built on a flexible, modular platform that can be configured for the leisure, commuter, delivery, taxi, rental and ride share markets.

The Company is in the process completing all feasibility studies, engineering, prototyping and patent filings. The Company's go-to-market strategy will combine traditional automotive sector channels with consumer electronics co-partnerships and media influencer campaigns. Manufacturing is being proposed for key global locations to leverage favourable logistics, taxation and regulatory advantages designed to ensure scalable production cost efficiencies.

## Selected Annual Financial Information

The table below sets out certain selected financial information regarding the operations of the Company for the period indicated. The selected financial information has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements and related notes.

| | Period ended July 31, 2021 |
|---|---|
| | |
| Revenue | $ - |
| Net loss | $ 558,340 |
| Total comprehensive loss | $ 553,734 |
| Loss per share | $ 0.05 |
| Total assets | $ 490,413 |

TUGA-Global was incorporated on September 1, 2020 and July 31, 2021 was the Company's first fiscal year end. The Company did not record any revenues in the period ended July 31, 2020 and incurred a net loss of $558,340. The net loss in the period is largely attributed to consulting and professional fees, and transaction expense related to the reverse acquisition.

The Company's total assets for the period ended July 31, 2021 were $490,413 which is mainly made up of cash.

The Company has not declared any dividends since its incorporation and does not anticipate paying cash dividends in the foreseeable future on its common shares, but intends to retain any future earnings to finance internal growth, acquisitions and development of its business. Any future determination to pay cash dividends will be at the discretion of the board of directors of the Company and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors of deems relevant.

**Selected Quarterly Financial Information**

A summary of results for the quarter since incorporation follows:

| | January 31, 2022 Qtr 2 | October 31, 2021 Qtr 1 |
|---|---|---|
| Revenue | $ - | $ - |
| Net loss | $ 1,393,335 | $ 480,575 |
| Comprehensive loss | $ 1,401,220 | $ 482,565 |
| Loss per share | $ 0.04 | $ 0.02 |

| | July 31, 2021 Qtr 4 | April 30, 2021 Qtr 3 | January 31, 2021 Qtr 2 | October 31, 2020 Qtr 1 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - |
| Net loss | $ 408,201 | $ 109,394 | $ 18,828 | $ 21,917 |
| Comprehensive loss | $ 403,593 | $ 109,394 | $ 18,828 | $ 21,917 |
| Loss per share | $ 0.02 | $ 0.01 | $ - | $ - |

TUGA-Global was incorporated on September 1, 2020 and October 31, 2020 was the Company's first fiscal quarter reported. During the quarters of October 31, 2020 and January 31, 2021, the Company was in the process of setting up the Company and its corporate structure. During the three months ended April 30, 2021, the Company recorded a net loss of $109,394, that can be attributed to an increase in operations and its research and development of its prototype. During the three months ended July 31, 2021, the Company recorded a net loss of $408,201 as compared to $109,394 for the previous quarter. The increase can be attributed to an increase in professional fees associated with the deal between TUGA and TUGA-Global and its preparation of its listing statement. During the three months ended January 31, 2022, the Company recorded a net loss of $1,393,335 as compared to $480,575 for the previous quarter. The increase can be attributed to the fair value of the stock options granted and restricted share units ("RSU") issued during the quarter and an increase in operations as the Company continues with the research and development and marketing of its product.

**Results of Operations**

For the three months ended January 31, 2022:

The Company did not record any revenues in the three months ended January 31, 2022 and recorded a net loss of $1,393,335 as compared to a net loss of $18,828 for the comparable period ended January 31, 2021. Total expenses for the three months ended January 31, 2022 amounted to $1,393,335 as compared to $18,828 for the comparable period. The increase in total expenses can be attributed to the following:

Consulting fees have increased to $283,901 from $Nil, as consulting fees included fees paid to directors and officers of the Company and fees paid to third parties for administrative services, assistance with its transaction with TUGA, and corporate development.

Professional fees have increased to $84,682 from $18,351, as professional fees included legal fees associated with the merger agreement between TUGA and TUGA-Global, private placements, general corporate matters and its listing statement.

Research and Development have increased to $222,913 from $Nil, as the Company continues with its development of its prototype.

Share-based payments have increased to $552,683 from $Nil, as the Company fair valued its stock options granted and RSU issued during the quarter to consultants and directors of the Company. The fair value of the share-based payment was valued using the Black-Scholes option valuation model. Share-based payments are non-cash transactions.

Marketing have increased to $188,872 from $422, as the Company engaged MIC Market information & Content Publishing to provide marketing via email, facebook and Google.

For the six months ended January 31, 2022:

The Company did not record any revenues in the six months ended January 31, 2022 and recorded a net loss of $1,873,910 as compared to a net loss of $40,745 for the comparable period ended January 31, 2021. Total expenses for the six months ended January 31, 2022 amounted to $1,873,910 as compared to $40,745 for the comparable period. The increase in total expenses can be attributed to the following:

Consulting fees have increased to $466,929 from $Nil, as consulting fees included fees paid to directors and officers of the Company and fees paid to third parties for administrative services, assistance with its transaction with TUGA, and corporate development.

Professional fees have increased to $162,141 from $36,114, as professional fees included legal fees associated with the merger agreement between TUGA and TUGA-Global, private placements, general corporate matters and its listing statement.

Research and Development have increased to $358,809 from $Nil, as the Company continues with its development of its prototype.

Share-based payments have increased to $552,683 from $Nil, as the Company fair valued its stock options granted and RSU issued during the period to consultants and directors of the Company. The fair value of the share-based payment was valued using the Black-Scholes option valuation model. Share-based payments are non-cash transactions.

Marketing have increased to $233,216 from $422, as the Company engaged MIC Market information & Content to provide marketing via email, facebook and Google. The Company also created a video production and photoshoot to market its product in Europe.

## Fourth Quarter

N/A

## Liquidity and Capital Resources

The Company's cash position as at January 31, 2022 was $2,911,678 (July 31, 2021 – $471,606) with a working capital of $3,122,397 (July 31, 2021 – $365,026). Total assets as at January 31, 2022 was $3,285,400 (July 31, 2021 – $490,413).

The Company believes that the current capital resources is not sufficient to pay overhead expenses, for the next twelve months and the development of its specialized EVs. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company may not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options and warrants to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

On August 27, 2021 and September 23, 2021, the Company issued an aggregate of 11,118,750 subscription receipts (the "Subscription Receipts") at a price of $0.40 per subscription receipt for total proceeds of $4,447,500. Each Subscription Receipt entitles the holder thereof to receive, without payment of additional consideration or further action on the part of the holder, one unit of the Company (a "Unit") on the date (the "Conversion Date") that is five (5) Business Days after the later of the date that: (i) the Company obtains a Final Receipt for this Prospectus in Canada; and (ii) the receipt of conditional approval of the Canadian Securities Exchange or any other recognized Canadian or United States stock exchange for the listing (the "Escrow Release Conditions"). Each Unit is comprised of one common share and one-half of one transferable share purchase warrant (the "Qualified Warrants"), with each Qualified Warrant entitling the holder thereof to acquire one common share at a price of $1.00 for a period of 18 months from the Conversion Date. On August 27, 2021, the Company paid aggregate finder's fees in the amount of $54,250 and issued a total of 135,625 finder's warrants (the "Finder's Warrants") in connection with the first tranche closing of the Subscription Receipt private placement. Each Finder's Warrant is exercisable into a common share at $0.40 per common share until the date that is the earlier of (i) the date that is two years following the issuance date and (ii) the date that is 18 months from the Conversion Date. As at August 27, 2021, the Company fair valued the finder's warrants at $27,125 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of $0.40, expected volatility – 100%, risk-free interest rate – 0.45%, exercise price of $0.40 and an expected average life of 18 months. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

On December 2, 2021, the Company converted the Subscription Receipts into 11,118,750 units. Each Unit is comprised of one common share and one-half of one transferable share purchase warrant (the "Qualified Warrants"), with each Qualified Warrant entitling the holder thereof to acquire one common share at a price of $1.00 for a period of 18 months from June 9, 2023. The Company paid a cash finders' fee of $179,060 and issued 396,025 Finder's Warrants. The Company fair valued the finders' warrants at $75,245 using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield – 0%, share price of $0.40, expected volatility – 100%, risk-free interest rate – 0.95%, exercise price of $0.40 and an expected average life of 18 months. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

## Going Concern

The condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future

and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At January 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $2,432,250 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds, and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

**Off Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

**Financial Instruments**

The Company's risk exposures and the impact on the Company's condensed interim consolidated financial statements are summarized below.

*Credit risk*

Financial instruments that potentially expose the Company to credit risk is cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

*Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at January 31, 2022, the Company had a working capital of $3,122,397.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of lithium and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Related Party Transactions**

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director and/or officer in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key Management Compensation

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

| | Relationship | For the six months ended January 31, 2022 | For the period from September 1, 2020 to January 31, 2021 |
|---|---|---|---|
| Consulting fees | | | |
| 1196019 BC Ltd. | Controlled by Faizaan Lalani, CFO and Director | $ 47,000 | $ - |
| Schultz Engineering LLC | Controlled by Kraig Schultz, CTO and Director | $ 44,153 | - |
| Cesar Barbosa | Vice President | 24,061 | - |
| Antonio Camara | Director | 12,619 | - |
| Edmundo, Nobre | Director | 28,386 | - |
| Red Wave | Controlled by John Hagie, CEO and Director | 37,848 | - |
| | | 194,067 | - |
| Share-based payments | | | |
| Faizaan Lalani | CFO | 42,098 | - |
| Daren Hermiston | Director | 21,000 | - |
| | | $ 257,165 | $ - |

Included in accounts receivable as at January 31, 2022 was $13,533 (July 31, 2021 - $Nil) in employee advances to directors of the Company.

Included in accounts payable and accrued liabilities as at January 31, 2022 was $6,841 (July 31, 2021 - $Nil) to the CFO of the Company and a company controlled by a director of the Company for expense reimbursements.

**Proposed Transaction**

N/A

**Subsequent Events**

Subsequent to January 31, 2022:

The Company granted an aggregate of 50,000 stock options to consultants of the Company exercisable at $0.75 to $1.02 per share expiring between February 23, 2024 to February 1, 2027. These stock options

vested at the date of grant and on February 23, 2022, 20,000 stock options were exercised for total proceeds of $15,000.

The Company also issued an aggregate of 273,524 RSU to consultants of the Company of which 80,000 vested immediately and 193,524 vest at 33% on June 2, 2022 and 8% every month thereafter. On February 23, 2022, the Company issued 80,000 RSU.

The Company issued 2,000,000 RSU.
The Company issued 49,962 common shares pursuant to the exercise of share purchase warrants for total proceeds of $12,490.

## Outstanding Share Data

Below is the summary of the Company's share capital as at January 31, 2022 and as of the date of this report:

| | As at | |
|---|---|---|
| Security description | January 31, 2022 | MD&A |
| Common shares – issued and outstanding | 42,345,059 | 44,495,021 |
| Warrants issued | 35,509,398 | 35,459,436 |
| Finder's warrants | 531,650 | 531,650 |
| Performance warrants | 30,000,000 | 30,000,000 |
| Stock options | 200,000 | 230,000 |
| Restricted share unit | 2,529,000 | 722,524 |
| Common shares – fully diluted | 111,115,107 | 111,438,631 |

## Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed in note 4 to the condensed interim consolidated financial statements.

## Business and Industry Risks

### Speculative Nature of Investment Risk

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company's business and the present stage of the development of its product. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Any one risk factor could materially affect the Company's financial condition and future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company.

**No Operating History**

TUGA-Global was incorporated on September 1, 2020 and has not commenced commercial operations. The Company has no history of earnings or paid any cash dividends, and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future.

**Increased Costs of Being a Publicly Traded Company**

On becoming a reporting issuer, the Company will be subject to reporting requirements under applicable securities law, the listing requirements of the CSE and other applicable securities rules and regulations. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly, and increase demand on existing systems and resources. Among other things, the Company will be required to file annual, quarterly and current reports with respect to its business and results of operations, and maintain effective disclosure controls, procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls, procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses.

Management of the Company expects that being a reporting issuer will make it more expensive to obtain and maintain director and officer liability insurance, and the Company may in the future be required to accept reduced coverage or incur substantially higher costs to obtain or maintain adequate coverage. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

**Resale of Common Shares**

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the Common Shares by any investor of the Company would be diminished.

**Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in executing on its business plan, creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility.

**COVID-19 Public Health Crisis**

The Company's business, operations and financial condition could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada and US. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. Such public health crises can result in volatility and disruptions in the supply and demand for gold and other metals and

minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect mineral prices, interest rates, credit ratings, credit risk, share prices and inflation. The risks to the Company of such public health crises also include slowdowns or temporary suspensions of operations in locations impacted by an outbreak, interruptions to supply chains and supplies upon on which the Company relies, restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others, increased labor costs, regulatory changes, political or economic instabilities or civil unrest.

The Company has and will continue to take measures recommended by Health Canada and applicable regulatory bodies, as appropriate. To date, the Company has introduced a "work from home policy" affecting its two executive officers and has reduced travel and transitioned to virtual meetings where feasible. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

**Reliance on Third-Parties**

The Company intends to pursue a strategy of outsourcing vehicle assembly and production as the EVs is designed to use many commodity motorcycle components resulting in high quality and low manufacturing costs. The Company relies on third parties to provide some vehicle assembly and production services and its business will be harmed if the Company's strategic partners are unable to provide these services in a cost-effective manner. The Company also relies heavily on third parties such as its vendors and partners to provide some of its parts and services. If these third parties were unable or unwilling to provide these parts and services in the future due to COVID-19 or other events that cause a disruption in supply or demand of such parts and services, the Company would need to obtain such parts or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these parts and services are replaced.

**Increases in costs, disruption of supply or shortage of raw materials**

We may experience increases in the cost or a sustained interruption in the supply or shortage of raw materials. Any such increase or supply interruption could materially negatively impact our business, prospects, financial condition and operating results. We use various raw materials in our business and the prices for raw materials fluctuate depending on market conditions and global demand for these materials and could adversely affect our business and operating results. For instance, we are exposed to multiple risks relating to price fluctuations for battery cells.

Our business is dependent on the continued supply of battery cells and various motorcycle components for our vehicles. Any disruption is the supply of battery cells or motorcycle components from our supplier could temporarily disrupt the production of the EVs until such time as a different supplier is fully qualified. Furthermore, current fluctuations or shortages in petroleum and other economic conditions may cause us to experience significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased electric vehicle prices. There can be no assurance that we will be able to recoup increasing costs of raw materials by increasing vehicle prices. Although the Company has not announced an estimated price for the EVs any attempt to increase the expected prices in response to increased raw material costs could be viewed negatively by our potential customers and could materially adversely affect our brand, image, business, prospects and operating results.

**Management of Growth**

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect

on the Company's business, financial condition, results of operations and prospects. Risks that we face in undertaking this expansion include:

- training new personnel;
- forecasting production and revenue;
- controlling expenses and investments in anticipation of expanded facilities;
- establishing or expanding design, manufacturing, sales and service facilities;
- implementing and enhancing administrative infrastructure, systems and processes;
- addressing new markets; and
- establishing international operations

We intend to continue to hire a number of additional personnel, including design and manufacturing personnel and service technicians for our EVs. Competition for individuals with experience designing, manufacturing and servicing EVs is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future. The failure to attract, integrate, train, motivate and retain these additional employees could seriously harm our business and prospects.

**Conflict of Interest**

The Company's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on Company's results of operations and financial condition.

**Additional Financing**

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its current business strategy. The Company intends to fund its business objectives by way of additional offerings of equity or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will require additional financing to fund its operations until positive cash flow is achieved.

**Going Concern Risk**

The Company's condensed interim consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financings and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financings or in achieving profitability. The condensed interim consolidated financial statements do not give effect to any adjustments relating to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue, which is a going concern.

**The Company's Insurance Policies May Not Be Sufficient to Cover All Claims**

The Company's business is subject to a number of risks and hazards generally, including accidents, labour disputes, and changes in the regulatory environment. Such occurrences could result in damage to assets,

personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**Claims and Legal Proceedings**

The Company or its directors and officers may be subject to a variety of civil or other legal proceedings, with or without merit. From time to time in the ordinary course of its business, the Company may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

**Difficulty in Forecasting**

The Company must rely largely on its own market research to forecast revenues as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. Market research and projections by the Company are based on assumptions from limited and unreliable market data. A failure in demand could materialize as a result of competition, technological change or other factors and could have a material adverse effect on the business, results of operations and financial condition of the Company.

**Internal control systems**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.