

TUGA INNOVATIONS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2021

(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 three months ended October 31, 2021 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 STATEMENT OF FINANCIAL POSITION
As at October 31, 2021 and July 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	October 31, 2021	July 31, 2021
ASSETS		
Current		
Cash and restricted cash (Note 10)	\$ 4,353,257	\$ 471,606
Amounts receivable	20,840	7,419
Prepaid expenses (Note 10)	5,826	-
	<u>4,379,923</u>	<u>479,025</u>
Deferred finance cost	120,745	-
Patents	11,316	11,388
	<u>\$ 4,511,984</u>	<u>\$ 490,413</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 242,116	\$ 113,999
Subscriptions receipts (Note 10)	4,447,500	-
	<u>4,689,616</u>	<u>113,999</u>
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 6)	795,190	795,190
Commitment to issue shares	-	98,606
Contributed surplus	77,625	50,500
Accumulated other comprehensive loss	(11,532)	(9,542)
Deficit	(1,038,915)	(558,340)
	<u>(177,632)</u>	<u>376,414</u>
	<u>\$ 4,511,984</u>	<u>\$ 490,413</u>

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

APPROVED ON BEHALF OF THE BOARD:

“Faizaan Lalani” Director
Faizaan Lalani

“” Director

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended October 31, 2021 and

for the period from September 1, 2020 (date of inception) to October 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended October 31, 2021	For the period from September 1, 2020 to October 31, 2020
Administrative expenses		
Advertising and promotion	\$ 44,344	\$ 4,091
Consulting fees (Note 7)	183,028	-
Filing fees	10,160	-
Office and general	16,862	62
Professional fees	77,459	17,764
Research and development expenses	135,896	-
Travel and promotion	12,826	-
Net loss for the period	(480,575)	(21,917)
Other comprehensive loss		
Loss on translation of foreign operations	(1,990)	-
Total comprehensive loss for the period	\$ (482,565)	\$ (21,917)
Basic and diluted loss per share	\$ (0.02)	\$ (21,917)
Weighted average number of common shares outstanding	31,176,332	1

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

For the three months ended October 31, 2021 and for the period from September 1, 2020 (date of inception) to October 31, 2020

(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	-	-	2,424	-	-	-	2,424
Comprehensive loss for the period	-	-	-	-	-	(21,917)	(21,917)
Balance, October 31, 2020	1	\$ -	\$ 2,424	\$ -	\$ -	\$ (21,917)	\$ (19,493)
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
Transfer to accounts payable	-	-	(4,447,500)	-	-	-	(4,447,500)
Fair value of agent's warrants issued	-	-	-	27,125	-	-	27,125
Comprehensive loss for the period	-	-	-	-	(1,990)	(480,575)	(482,565)
Balance, October 31, 2021	31,176,332	\$ 795,190	\$ -	\$ 77,625	\$ (11,532)	\$ (1,038,915)	\$ (177,632)

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three months ended October 31, 2021 and

for the period from September 1, 2020 (date of inception) to October 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended October 31, 2021	For the period from September 1, 2020 to October 31, 2020
Operating Activities		
Net loss for the period	\$ (480,575)	\$ (21,917)
Changes in non-cash working capital items related to operations:		
Amounts receivable	(13,421)	-
Prepaid expenses	(5,826)	-
Accounts payable and accrued liabilities	128,117	19,701
Cash used in operating activities	(371,705)	(2,216)
Financing Activities		
Deferred finance cost	(93,620)	-
Shares subscriptions received	4,348,894	2,424
Cash provided by financing activities	4,255,274	2,424
Effect of foreign exchange on cash	(1,918)	-
Change in cash and restricted cash for the period	3,881,651	208
Cash and restricted cash, beginning of period	471,606	-
Cash and restricted cash, end of the period	\$ 4,353,257	\$ 208
Cash and restricted cash is comprised of:		
Cash	\$ 350,238	\$ 208
Restricted cash	4,003,019	-
Cash and restricted cash	\$ 4,353,257	\$ 208
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

TUGA INNOVATIONS, INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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 December 21, 2021.

(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.

TUGA INNOVATIONS INC.

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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 October 31, 2021, the Company has not achieved profitable operations, has accumulated losses of \$1,038,915 (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 consolidated financial statements within the next financial year are discussed below:

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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 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 consolidated financial statements at their historical carrying value. The results of operations of TUGA are included in these consolidated financial statements from the date of the reverse acquisition of June 30, 2021.

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

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6. SHARE CAPITAL**(a) Authorized**

Unlimited common shares with no par value.

(b) Issued

There were no shares issued during the three months ended October 31, 2021.

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.

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:

	October 31, 2021	Weighted Average Exercise Price	July 31, 2021	Weighted Average Exercise Price
Balance, beginning of period	30,000,000	\$ 0.63	-	\$ -
Issued	-	-	520,584	23.90
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
Balance, end of period	30,000,000	\$ 0.63	30,000,000	\$ 0.63

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6. SHARE CAPITAL – (cont'd)**(c) Share Purchase Warrants – (cont'd)**

As at October 31, 2021, the Company had share purchase warrants outstanding as follows:

Outstanding	Exercise Price	Expiry Date
5,050,000	\$0.25	May 17, 2024
9,950,000	\$0.25	June 1, 2024
5,050,000	\$1.00	May 17, 2024
9,950,000	\$1.00	June 1, 2024
30,000,000		

As at October 31, 2021, the share purchase warrants have a weighted average remaining life of 2.57 years.

(d) Agent's Warrants

The changes in agent's warrants were as follows:

	October 31, 2021	Weighted Average Exercise Price	July 31, 2021	Weighted Average Exercise Price
Balance, beginning of period	-	\$ -	-	\$ -
Issued	135,625	0.40	-	-
Balance, end of period	135,625	\$ 0.40	-	\$ -

As at October 31, 2021, the Company had agent's warrants expiring on June 9, 2023:

(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.

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6. SHARE CAPITAL – (cont'd)**(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.

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 three months ended October 31, 2021	For the period from September 1, 2020 to October 31, 2020
Consulting fees			
Schultz Engineering LLC	Controlled by Kraig Schultz, CTO and Director	\$ 21,998	\$ -
Cesar Barbosa	Vice President	14,142	-
Antonio Camara	Director	6,287	-
Edmundo, Nobre	Director	14,142	-
Red Wave	Controlled by John Hagie, CEO and Director	18,857	-
		\$ 75,426	\$ -

Included in accounts receivable as at October 31, 2021 was \$7,345 (July 31, 2021 - \$Nil) in employee advances to directors of the Company.

Included in accounts payable and accrued liabilities as at October 31, 2021 was \$8,694 (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.

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8. CAPITAL MANAGEMENT – (cont'd)

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 October 31, 2021.

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, policies 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 October 31, 2021, the Company had a working capital of \$309,693 (July 31, 2021 – working capital of \$365,026).

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.

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(Unaudited – Prepared by Management)

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

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10. SUBSEQUENT EVENTS

On October 1, 2021, the Company filed its preliminary prospectus to qualify the distribution of 11,118,750 subscription receipts (the “Subscription Receipts”) of the Company which were issued on August 27, 2021 and September 23, 2021 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. These amounts are included in deferred finance cost as at October 31, 2021.

A total of 396,025 Finder’s Warrants and \$179,060 finder’s fees are payable on the Conversion Date in connection with the second tranche closing of the Subscription Receipt private placement that closed on September 23, 2021.

On closing of the Subscription Receipt private placement, a portion of the gross proceeds in the amount of \$4,002,750 (the “Escrowed Funds”), representing 90% of the proceeds were deposited in escrow. The Escrowed Funds may not to be released until the satisfaction of the Escrow Release Conditions on the Conversion Date at which time the Escrowed Funds together with interest earned thereon will be released to the Company. The balance of the proceeds of \$444,750, representing 10% of the proceeds (the “Released Funds”) were retained by the Company to pay finder’s fees and administrative and legal costs associated with the private placement and other costs in connection with the Company’s ongoing business operations. Accordingly, the Escrowed Funds received have been included in restricted cash and subscription receipts as at October 31, 2021.

In the event that the Escrow Release Conditions are not satisfied on or prior to March 31, 2022, the Escrowed Funds will be returned to the purchasers and the Subscription Receipts will be cancelled, and the Released Funds will be converted into Units at a conversion price of \$0.40 per Unit.

On November 30, 2021, the Company filed its Long Form Prospectus and on December 2, 2021, the Company received approval for listing on the Canadian Securities Exchange and commenced trading on December 9, 2021 under the trading symbol “TUGA”.

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10. SUBSEQUENT EVENTS – (cont'd)

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.

On December 8, 2021, the Company granted 200,000 stock options exercisable at \$0.40 to directors of the Company expiring on December 8, 2023 and vest at the date of grant.

On November 10, 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.