TUGA INNOVATIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2022 and 2021

(Expressed in Canadian Dollars)

Crowe MacKay LLP
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of TUGA Innovations, Inc.

Opinion

We have audited the consolidated financial statements of TUGA Innovations, Inc. (the "Group"), which comprise the consolidated statements of financial position as at July 31, 2022 and July 31, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2022 and July 31, 2021, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Hilda Leung.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
November 28, 2022

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at July 31, 2022 and 2021
(Expressed in Canadian Dollars)

		2022		**2021**
ASSETS				
Current				
Cash	$	855,166	$	471,606
Amounts receivable (Note 8)		77,208		7,419
Prepaid expenses		15,715		-
		948,089		479,025
Furniture and equipment (Note 6)		45,154		-
Patents		11,719		11,388
	$	1,004,962	$	490,413
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	141,647	$	113,999
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		6,535,624		795,190
Commitment to issue shares		-		98,606
Contributed surplus (Note 7)		719,586		50,500
Accumulated other comprehensive loss		(23,126)		(9,542)
Deficit		(6,368,769)		(558,340)
		863,315		376,414
	$	1,004,962	$	490,413

Going concern (Note 2)
Subsequent events (Note 12)

APPROVED ON BEHALF OF THE BOARD:

"Faizaan Lalani"	Director	*"Daren Hermiston"*	Director
Faizaan Lalani		Daren Hermiston	

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the year ended July 31, 2022 and for the period from September 1, 2020 (date of inception) to July 31, 2021
(Expressed in Canadian Dollars)

	2022	2021
Expenses		
Consulting fees (Note 8)	$ 1,026,176	$ 226,317
Depreciation (Note 6)	2,816	-
Filing and transfer agent fees	53,590	5,000
Investor relations	651,101	-
Marketing	201,281	5,250
Office and general	244,827	7,917
Professional fees	327,479	102,117
Research and development expenses	1,044,603	171,739
Share-based payments (Notes 7 and 8)	2,194,716	-
Transaction expense (Note 5)	-	40,000
Travel and promotion	63,840	-
Net loss for the period	(5,810,429)	(558,340)
Other comprehensive loss		
Loss on translation of foreign operations	(13,584)	(9,542)
Total comprehensive loss for the period	$ (5,824,013)	$ (567,882)
Basic and diluted loss per share	$ (0.15)	$ (0.05)
Weighted average number of common shares outstanding	39,486,159	10,796,491

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended July 31, 2022 and for the period from September 1, 2020 (date of inception) to July 31, 2021
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Commitment to Issue shares	Contributed Surplus	Accumulated other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
Balance, September 1, 2020	-	$ -	$ -	$ -	$ -	$ -	$ -
Founder shares	392,400	149,662	-	-	-	-	149,662
Private placement	260,292	398,247	-	-	-	-	398,247
Elimination of TUGA-Global shares	(652,692)	-	-	-	-	-	-
Shares issued to shareholders of TUGA-Global	24,950,000	-	-	-	-	-	-
Shares and warrants of TUGA on RTO	6,226,332	247,281	-	50,500	-	-	297,781
Share subscriptions received	-	-	98,606	-	-	-	98,606
Comprehensive loss for the period	-	-	-	-	(9,542)	(558,340)	(567,882)
Balance, July 31, 2021	31,176,332	795,190	98,606	50,500	(9,542)	(558,340)	376,414
Private placement	11,118,750	4,447,500	(98,606)	-	-	-	4,348,894
Share issue cost cash	-	(272,680)	-	-	-	-	(272,680)
Fair value of agent's warrants issued	-	(102,370)	-	102,370	-	-	-
Share purchase warrants exercised	99,939	24,984	-	-	-	-	24,984
Stock options exercised	20,000	23,000	-	(8,000)	-	-	15,000
Restricted share unit issued ("RSU")	2,080,000	1,620,000	-	(1,620,000)	-	-	-
Share-based payments – RSU	-	-	-	2,121,916	-	-	2,121,916
Share-based payments - Options	-	-	-	72,800	-	-	72,800
Comprehensive loss for the year	-	-	-	-	(13,584)	(5,810,429)	(5,824,013)
Balance, July 31, 2022	44,495,021	$ 6,535,624	$ -	$ 719,586	$ (23,126)	$ (6,368,769)	$ 863,315

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended July 31, 2022 and for the period from September 1, 2020 (date of inception) to July 31, 2021
(Expressed in Canadian Dollars)

	2022	**2021**
Operating Activities		
Net loss for the period	$ (5,810,429)	$ (558,340)
Item not affecting cash:		
Depreciation	2,816	-
Share-based payments	2,194,716	-
Transaction expense	-	40,000
Changes in non-cash working capital items related to operations:		
Amounts receivable	(69,789)	(3,582)
Prepaid expenses	(15,715)	-
Accounts payable and accrued liabilities	27,648	37,992
Cash used in operating activities	(3,670,753)	(483,930)
Investing Activities		
Patents	-	(11,388)
Cash acquired on acquisition	-	304,901
Furniture and equipment purchases	(47,502)	-
Cash provided by (used in) investing activities	(47,502)	293,513
Financing Activities		
Shares issued for cash	4,388,878	547,909
Share issue cost cash	(272,680)	-
Commitment to issue shares	-	123,656
Cash provided by financing activities	4,116,198	671,565
Effect of foreign exchange on cash	(14,383)	(9,542)
Change in cash during the period	383,560	471,606
Cash, beginning of period	471,606	-
Cash, end of the period	$ 855,166	$ 471,606

Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash investing and financing transactions:		
Fair value of restricted share units issued	$ 1,620,000	$ -
Fair value of agent's warrants issued	$ 102,370	$ -
Fair value transferred on stock options exercised	$ 8,000	$ -

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

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, Inc. ("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.

Upon closing of the transaction, the shareholders of TUGA-Global had control of the Company and as a result, the transaction is considered a reverse acquisition of TUGA by TUGA-Global. For accounting purposes TUGA-Global is considered the acquirer and TUGA, the acquiree. The consolidated financial are a continuation of the financial statements of TUGA-Global. See Note 5.

On December 2, 2021, the Company received approval from the Canadian Securities Exchange ("CSE") for the listing of its common shares on the CSE and on December 8, 2021, commenced trading on the CSE under the symbol "TUGA". The Company is also trading on the German Borse Frankfurt exchange under the trading symbol "DQ5". On May 5, 2022, the company received approval for trading on the OTC Markets quotation under the the trading symbol "TUGAF".

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2022.

(b) Basis of Measurement

The 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 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 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 July 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $6,368,769 since inception and expects to incur further losses in the development of its business.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the consolidated financial statements, unless otherwise indicated.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary at the end of the reporting period.

	Jurisdiction	2022	2021
TUGA-Global, Inc.	United States	100%	100%

The results of the wholly-owned subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

TUGA-Global, Inc. was incorporated on September 1, 2020 in the state of Michigan. (Note 5).

All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write-off the cost of the equipment, less their estimated residual value, using the straight-line method at the following annual rates:

Computer equipment	Straight-line 5 years
Furniture and fixtures	Straight-line 7 years

Furniture and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Loss.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's intangible assets consist of the costs for patents applications pending approval and the amortization will commence once the patents are registered.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Impairment of Assets

The Company's assets are reviewed for an indication of impairment at each statement of financial position date and whenever events suggest that the carrying amounts may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the profit or loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial Instruments

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss ("FVTPL") are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. These are the measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measures at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Financial Instruments – (cont'd)

Financial Assets – (cont'd)

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is not reclassified from equity to profit or loss and remains in accumulated OCI. Interest income from these financial assets is included as finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as other income in the Statement of Loss in the period which it arises.

The Company's cash and amounts receivable from related parties are measured at amortized cost.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and at amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities as financial liabilities held at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting period. Diluted loss per share is computed similar to basic loss except that the weighted average number of outstanding shares include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for other than business combination which does not have an impact. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Share Capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements is determined to be the more easily measurable component and is valued at their fair value, as determined by the closing quoted bid price on the date of issuance once the shares are listed on a stock exchange. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable new assets. Acquisition costs incurred are expensed.

Foreign Currency

The consolidated financial statements are presented in Canadian dollars which is the functional currency of TUGA. The functional currency of TUGA-Global is the US dollar.

Assets and liabilities of the subsidiary having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive loss included in the consolidated statements of changes in shareholders' equity (deficiency).

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized include the costs of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

Share-Based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to contributed surplus. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of stock options that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments, along with the amounts reflected in contributed surplus, is credited to share capital. Shares are issued from treasury upon the exercise of the equity-settled share based instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Share-Based Payments – (cont'd)

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined based on comparison to similar companies as the Company does not have enough trading history.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in contributed surplus for share options which expire unexercised remain in contributed surplus.

For restricted share units ("RSU"), the fair value of the grant is determined by multiplying the Company's share price at grant date by the number of RSU granted and recorded as compensation expense in profit or loss. As the Company intends to settle the RSU through equity settlement, a corresponding credit is recorded to contributed surplus. The resulting fair value of the RSU is then adjusted for an estimated forfeiture rate which is determined based on historical data and is recognized over the vesting period. Actual number of RSU that will eventually vest is likely to be different from estimation. Upon settlement of the RSU through the issuance of shares, the amount reflected in contributed surplus is credited to share capital.

Recent accounting pronouncements and changes in accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods are as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023 and are not expected to have a material impact on the Company.

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:

Going Concern

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

Research and development

Research costs are recognized as an expense when incurred, but development costs may be capitalized as intangible assets if certain conditions are met, as described in International Accounting Standard ("IAS") 38 Intangible Assets. Management has determined that development costs do not meet the conditions for capitalization under IAS 38, and all research and development costs have been expensed.

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.

(Expressed in Canadian Dollars)

5. REVERSE TAKEOVER – (cont'd)

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

6. FURNITURE AND EQUIPMENT

		Furniture and Fixtures		Computer Equipment		Total
Cost						
Balance at September 1, 2020 and July 31, 2021	$	-	$	-	$	-
Additions		13,929		33,573		47,502
Foreign exchange		146		352		498
Balance at July 31, 2022	$	14,075	$	33,925	$	48,000
Accumulated Depreciation						
Balance at September 1, 2020 and July 31, 2021	$	-	$	-	$	-
Depreciation		712		2,104		2,816
Foreign exchange		7		22		30
Balance at July 31, 2022	$	720	$	2,126	$	2,846
Net Book Value						
At July 31, 2021	$	-	$	-	$	-
At July 31, 2022	$	13,356	$	31,798	$	45,154

7. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

During the year ended July 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.

In connection with the first tranche closing of the Subscription Receipts the Company paid aggregate finders' fees in the amount of $54,250 and issued a total of 135,625 finders' warrants (the "Finders' Warrants") in connection with the first tranche closing of the Subscription Receipt private placement. Each Finders' 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 Finders' 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.

In connection with the second tranche closing of the Subscription Receipts the Company paid a cash finders' fee of $179,060 and issued 396,025 Finders' 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. The Company also recognized additional share issue cost of $39,370.

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 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.

During the year ended July 31, 2022, the Company issued 99,939 common shares pursuant to the exercise of share purchase warrants at an exercise price of $0.25 for total proceeds of $24,984.

During the year ended July 31, 2022, the Company issued 2,080,000 common shares pursuant to restricted share units vested and transferred $1,620,000 from contributed surplus.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL – (cont'd)

(b) Issued – (cont'd)

During the year ended July 31, 2022: – (cont'd)

During the year ended July 31, 2022, the Company issued 20,000 common shares pursuant to the exercise of stock options at $0.75 per share for total proceeds of $15,000 and transferred $8,000 from contributed surplus. The market price on the date of exercise was $0.75.

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 warrants were as follows:

	2022	Weighted Average Exercise Price	2021	Weighted Average Exercise Price
Balance, beginning of period	30,000,000	$ 1.04	-	$ -
Issued	5,559,375	1.00	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
Exercised	(99,939)	0.25	-	-
Balance, end of period	35,459,436	$ 0.68	30,000,000	$ 1.04

(Expressed in Canadian Dollars)

7. SHARE CAPITAL – (cont'd)

(c) Share Purchase Warrants – (cont'd)

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

Outstanding	Exercise Price	Weighted average remaining life	Expiry Date
5,559,375	$1.00		June 9, 2023
5,050,000	$0.25		May 17, 2024
9,850,061	$0.25		June 1, 2024
5,050,000	$1.00		May 17, 2024
9,950,000	$1.00		June 1, 2024
35,459,436		1.67 years	

(d) Finders' Warrants

The changes in finders' warrants were as follows:

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

As at July 31, 2022, the Company had finders' warrants expiring on June 9, 2023 with a weighted average remaining life of 0.86 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. Management made an assessment of the probability of achieving the milestones and determined the fair value of the performance warrants is $nil.

7. SHARE CAPITAL – (cont'd)

(f) Escrow Shares

15,000,000 common shares are 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 July 31, 2022, 11,250,000 (2021 – 15,000,000) common shares are held in escrow with the next release on December 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.

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 year ended July 31, 2022, the Company recorded $42,000 in share-based payments.

On February 1, 2022, the Company granted 30,000 stock options to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at $1.02 per share expiring on February 1, 2027. The stock option vest at the date of grant. The fair value of the stock options of $22,800 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of $1.02; Risk-free interest rate of 1.79%; Dividend yield of 0%; Expected life of 5 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 year ended July 31, 2022, the Company recorded $22,800 in share-based payments.

On February 23, 2022, the Company granted 20,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at $0.75 per share expiring on February 23, 2024. The stock option vest at the date of grant. The fair value of the stock options of $8,000 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of $0.75; Risk-free interest rate of 1.49%; 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 year ended July 31, 2022, the Company recorded $8,000 in share-based payments.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

The changes in stock options were as follows:

	2022	Weighted Average Exercise Price	2021	Weighted Average Exercise Price
Balance, beginning of period	-	$ -	-	$ -
Issued	250,000	0.50	-	-
Exercised	(20,000)	0.75	-	-
Balance, end of period	230,000	$0.48	-	$ -

As at July 31, 2022, the Company had 230,000 stock options outstanding as follows:

Number of Stock Options	Exercisable	Exercise Price	Expiry Date
200,000	200,000	$0.40	December 8, 2023
30,000	30,000	$1.02	February 1, 2027
230,000	230,000		

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. Unless otherwise determined by the Compensation Committee or as set out in any award agreement, the Restricted Share Unit ("RSU") shall vest and become payable equally at each anniversary date, no later than three years after the date of grant. When the RSU is payable by the Company, the holder will be entitled to receive payment from the Company in settlement of such RSU in a number of common shares equal to the number of RSUs being settled, or in any other form as determined by the board of directors or the Company's Compensation Committee at its sole discretion in accordance with the RSU Plan.

On December 2, 2021, the Company granted 187,500 RSU to a consultant. After the first four months, the RSU will vest at 15,625 RSU every month thereafter. On June 30, 2022, the Company cancelled 93,750 RSU. During the year ended July 31, 2022, the Company recognized $37,500 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 year ended July 31, 2022, the Company recognized $1,638,000 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

Restricted Share Unit Plans – (cont'd)

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 with the last vesting on December 9, 2022. On June 30, 2022, the Company cancelled 93,750 RSU. During the year ended July 31, 2022, the Company recognized $128,297 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On February 1, 2022, the Company granted 193,524 RSU to a consultant of the Company. 64,508 RSU will vest on June 2, 2022, with the remaining balance vesting at 16,127 RSU every month thereafter with the last vesting on February 2, 2023. During the year ended July 31, 2022, the Company recognized $162,078 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On February 23, 2022, the Company granted 80,000 RSU to a consultant of the Company. The RSU will vest four months from the date of grant. During the year ended July 31, 2022, the Company recognized $60,000 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On March 17, 2022, the Company granted 131,046 RSU to a consultant of the Company. 131,046 RSU will vest on July 17, 2022, with the remaining balance vesting at 10,920 RSU every month thereafter with the last vesting on March 17, 2023. During the year ended July 31, 2022, the Company recognized $59,643 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

On April 1, 2022, the Company granted 100,000 RSU to a consultant of the Company. The RSU will vest four months from the date of grant. During the year ended July 31, 2022, the Company recognized $36,398 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus.

The changes in RSU were as follows:

	2022	2021
Balance, beginning of period	-	-
Granted	3,033,570	-
Issued Shares	(2,080,000)	-
Cancelled	(187,500)	
Balance, end of period	766,070	-

As at July 31, 2022, 443,321 RSU have vested and shares have not yet been issued.

(Expressed in Canadian Dollars)

8. 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		2022		2021
Consulting fees					
Schultz Engineering LLC	Controlled by Kraig Schultz, CTO and director	$	69,374	$	143,694
Smart-TUGA, Lda	Controlled by Cesar Barbosa, VP		53,302		5,852
Cesar Barbosa	Director		24,204		13,878
Antonio Camara	Director		37,441		6,169
Edmundo, Nobre	Director		23,796		14,022
Red Wave	Controlled by John Hagie, CEO and director		76,146		23,747
1196019 BC Ltd.	Controlled by Faizaan Lalani, CFO and director		96,000		-
			380,263		207,362
Share-based payments					
Faizaan Lalani	CFO and director		99,000		-
Daren Hermiston	Director		21,000		-
			120,000		-
		$	500,263	$	207,362

Included in amounts receivable as at July 31, 2022 was $8,710 (2021 - $Nil) in advances to directors of the Company. These amounts are unsecured non-interest bearing and due on demand.

Included in accounts payable and accrued liabilities at July 31, 2022 is $7,000 (2021 - $Nil) owed to a company controlled by the CFO for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

9. 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 year ended July 31, 2022.

10. 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 July 31, 2022, the Company had a working capital of $806,442. Historically, the Company's primary source of funding has been the issuance of equity securities for cash; however, there is no assurance of continued access to significant equity funding.

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.

Foreign Currency Risk

The Company may be exposed to foreign currency risk on fluctuations related to cash, amounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at July 31, 2022, the Company held cash denominated in US dollars of US$105,708 (2021 – US$191,475), accounts receivable of U$7,903 (2021 – $Nil) and accounts payable and accrued liabilities of U$46,581 (2021 – US$230) translated at US$1 for every $1.28. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately $8,600.

The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

10. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)

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, amounts receivable, 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;

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).

(Expressed in Canadian Dollars)

11. INCOME TAXES

The difference between tax expense for the period and the expected income taxes based on the statutory tax rates arises as follows:

	2022	2021
Loss before tax	$ (5,810,429)	$ (558,340)
Income tax recovery at local statutory rates – 27%	(1,569,000)	(151,000)
Items not deductible for tax	20,000	11,000
Effect of foreign exchange on foreign operations	(11,000)	(1,000)
Change in unrecognized tax benefits not recognized	1,560,000	141,000
	$ -	$ -

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

	2022	2021
Non-capital losses	$ 1,363,000	$ 169,000
Share issuance costs	63,000	5,000
Furniture and equipment	1,000	-
Deferred compensation costs (RSU)	136,000	-
Start-up costs deductible for tax	42,000	-
Research and development expenses	200,000	-
Unrecognized deferred tax assets	(1,805,000)	(174,000)
	$ -	$ -

As at July 31, 2022, the Company has an estimated non-capital losses of $3,105,000 for Canadian income tax purposes and 1,943,000 for US income tax purposes that may be carried forward to reduce taxable income derived in future years, and if not utilized the non-capital loss will expire commencing in 2040.

12. SUBSEQUENT EVENTS

Subsequent to July 31, 2022:

On August 1, 2022, the Company pursuant to the terms of a general contract for services, which include identifying and formalizing agreements with companies of interest, has agreed to issued 100,000 RSU over a two year period, with the first granting of 34,000 RSU on August 1, 2022 and 33,000 RSU on August 1, 2023 and 2024 respectively. These RSU will vest four months from the date of grant. The Company has agreed to grant between 10,000 and 25,000 RSU upon reception of a formalized agreement with a designated company of interest. When the RSU becomes payable upon vesting, the Company expects to settle the RSU through the issuance of the number of common shares equal to the number of RSUs being settled.

On August 28, 2022, the Company pursuant to the terms of a financial advisory agreement has agreed to grant 100,000 RSU with vesting terms of 33,333 RSU on August 28, 2023 and 2024 and 33,334 RSU on August 28, 2025. When the RSU becomes payable upon vesting, the Company expects to settle the RSU through the issuance of the number of common shares equal to the number of RSUs being settled.