TUGA INNOVATIONS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2023

(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 nine months ended April 30, 2023 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

TUGA INNOVATIONS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at April 30, 2023 and July 31, 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	April 30, 2023	July 31, 2022
ASSETS		
Current		
Cash	$ 66,125	$ 855,166
Amounts receivable (Note 7)	82,968	77,208
Prepaid expenses	10,888	15,715
	159,981	948,089
Furniture and equipment (Note 5)	40,824	45,154
Patents	12,408	11,719
	$ 213,213	$ 1,004,962
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 674,089	$ 141,647
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	6,582,443	6,535,624
Contributed surplus (Note 6)	815,099	719,586
Accumulated other comprehensive loss	(26,512)	(23,126)
Deficit	(7,831,906)	(6,368,769)
	(460,876)	863,315
	$ 213,213	$ 1,004,962

Going concern (Note 2)
Subsequent event (Note 6)

APPROVED ON BEHALF OF THE BOARD:

"Faizaan Lalani" Director
Faizaan Lalani

"Daren Hermiston" Director
Daren Hermiston

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

TUGA INNOVATIONS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended April 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended April 30,		For the nine months ended April 30,	
	2023	**2022**	**2023**	**2022**
Expenses				
Consulting fees (Note 7)	$ 221,792	$ 308,118	$ 658,005	$ 775,047
Depreciation (Note 5)	2,323	1,276	6,916	1,276
Exchange loss	774	-	774	-
Filing fees	6,535	1,364	23,907	23,210
Investor relations	10,959	-	36,355	-
Marketing	346	239,480	91,237	472,696
Office and general	24,142	76,115	64,142	127,081
Professional fees	25,854	84,630	106,991	246,771
Research and development expenses	25,039	347,267	363,904	706,076
Share-based payments (Note 7)	4,277	1,526,189	85,563	2,078,872
Travel and promotion	3,888	9,032	25,343	36,352
Net loss for the period	(325,929)	(2,593,471)	(1,463,137)	(4,467,381)
Other comprehensive loss				
Loss on translation of foreign operations	(1,182)	1,050	(3,386)	(8,825)
Total comprehensive loss for the period	$ (327,111)	$ (2,592,421)	$ (1,466,523)	$ (4,476,206)
Basic and diluted loss per share	$ (0.01)	$ (0.06)	$ (0.03)	$ (0.12)
Weighted average number of common shares outstanding	44,831,085	43,972,551	44,604,580	37,798,191

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

TUGA INNOVATIONS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the nine months ended April 30, 2023 and 2022
(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, July 31, 2021	31,176,332	$ 795,190	$ 98,606	$ 50,500	$ (9,542)	$ (558,340)	$ 376,414
Subscriptions received	-	-	4,348,894	-	-	-	4,348,894
Private placement	11,118,750	4,447,500	(4,447,500)	-	-	-	-
Share issue cost cash	-	(272,680)	-	-	-	-	(272,680)
Fair value of agent's warrants issued	-	(102,370)	-	102,370	-	-	-
Share purchase warrants exercised	99,939	24,984	-	-	-	-	24,984
Stock options exercised	20,000	23,000	-	(8,000)	-	-	15,000
Restricted share unit issued	2,080,000	1,592,727	-	(1,592,727)	-	-	-
Share-based payments - RSU	-	-	-	2,006,072	-	-	2,006,072
Share-based payments - Options	-	-	-	72,800	-	-	72,800
Comprehensive loss for the period	-	-	-	-	(8,825)	(4,467,381)	(4,476,206)
Balance, April 30, 2022	44,495,021	$ 6,508,351	$ -	$ 631,015	$ (18,367)	$ (5,025,721)	$ 2,095,278
Balance, July 31, 2022	44,495,021	$ 6,535,624	$ -	$ 719,586	$ (23,126)	$ (6,368,769)	$ 863,315
Private placement	994,983	49,749	-	9,950	-	-	59,699
Share issue cost cash	-	(2,930)	-	-	-	-	(2,930)
Share-based payment	-	-	-	85,563	-	-	85,563
Comprehensive loss for the period	-	-	-	-	(3,386)	(1,463,137)	(1,466,523)
Balance, April 30, 2023	45,490,004	$ 6,582,443	$ -	$ 815,099	$ (26,512)	$ (7,831,906)	$ (460,876)

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

TUGA INNOVATIONS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended April 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	2023	2022
Operating Activities		
Net loss for the period	$ (1,463,137)	$ (4,467,381)
Items not affecting cash:		
Depreciation	6,916	1,276
Share-based payments	85,563	2,078,872
Changes in non-cash working capital items related to operations:		
Amounts receivable	(5,760)	(67,331)
Prepaid expenses	4,827	(303,002)
Accounts payable and accrued liabilities	532,441	(33,780)
Cash used in operating activities	(839,150)	(2,791,346)
Investing Activity		
Furniture and equipment	-	(44,166)
Cash used in investing activity	-	(44,166)
Financing Activities		
Shares subscriptions received	59,699	4,388,878
Share issue cost – cash	(2,930)	(272,680)
Cash provided by financing activities	56,769	4,116,198
Effect of foreign exchange on cash	(6,660)	(9,060)
Change in cash for the period	(789,041)	1,271,626
Cash, beginning of period	855,166	471,606
Cash, end of the period	$ 66,125	$ 1,743,232
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	$ -	$ -
Income taxes	$ -	$ -

1. CORPORATE INFORMATION

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

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.

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 trading symbol "TUGAF".

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 June 29, 2023.

(b) Basis of Measurement

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

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

2. BASIS OF PREPARATION – (cont'd)

(c) Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At April 30, 2023, the Company has not achieved profitable operations, has accumulated losses of $7,831,906 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 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, 2022.

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.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

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. FURNITURE AND EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at July 31, 2022	$ 14,075	$ 33,925	$ 48,000
Additions	-	-	-
Foreign exchange	828	1,994	2,822
Balance at April 30, 2023	$ 14,903	$ 35,919	$ 50,822
Accumulated Depreciation			
Balance at July 31, 2022	$ 720	$ 2,126	$ 2,846
Depreciation	1,581	5,335	6,916
Foreign exchange	58	178	236
Balance at April 30, 2023	$ 2,359	$ 7,639	$ 9,998
Net Book Value			
At July 31, 2022	$ 13,355	$ 31,799	$ 45,154
At April 30, 2023	$ 12,544	$ 28,280	$ 40,824

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

During the nine months ended April 30, 2023:

On March 27, 2023, the Company issued an aggregate of 750,000 units at a price of $0.05 per unit for total proceeds of $45,000. Each unit consists of one common share and one-half common share purchase warrant, with each whole warrant entitling the holder to subscribe for one common share at a price of $0.11 per share for a period of two years from issuance. The Company used the residual method with respect to the measurement of shares and warrants issued and a fair value of $7,500 was allocated to the 375,000 share purchase warrants. In connection to the financing, the Company paid a finders fees of $2,930.

On April 12, 2023, the Company issued an aggregate of 244,983 units at a price of $0.05 per unit for total proceeds of $14,699. Each unit consists of one common share and one-half common share purchase warrant, with each whole warrant entitling the holder to subscribe for one common share at a price of $0.11 per share for a period of two years from issuance. The Company used the residual method with respect to the measurement of shares and warrants issued and a fair value of $2,450 was allocated to the 122,492 share purchase warrants.

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.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(b) Issued – (cont'd)

During the period ended July 31, 2022: - (cont'd)

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.

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.

(c) Share Purchase Warrants

The changes in share purchase warrants were as follows:

	April 30, 2023	Weighted Average Exercise Price	July 31, 2022	Weighted Average Exercise Price
Balance, beginning of period	35,459,436	$ 0.09	30,000,000	$ 0.09
Issued	497,492	0.11	5,559,375	0.09
Exercised	-	-	(99,939)	0.09
Balance, end of period	35,956,928	$ 0.09	35,459,436	$ 0.09

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

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

As at April 30, 2023, the Company had share purchase warrants outstanding as follows:

Outstanding	Exercise Price	Weighted average remaining life	Expiry Date
*5,559,375	$0.09		June 1, 2024
*5,050,000	$0.09		June 1, 2024
*9,850,061	$0.25		June 1, 2024
*5,050,000	$0.09		June 1, 2024
*9,950,000	$0.09		June 1, 2024
375,000	$0.11		March 26, 2025
122,492	$0.11		April 12, 2025
35,956,928		1.08 years	

*The Company repriced an aggregate of 35,459,436 outstanding common share purchase warrants from $0.25 and $1.00 to $0.09 and extended the expiry date to June 1, 2024. Accordingly, the weighted average exercise price has been restated.

(d) Agent's Warrants

The changes in agent's warrants were as follows:

	April 30, 2023	Weighted Average Exercise Price	July 31, 2022	Weighted Average Exercise Price
Balance, beginning of period	531,650	$ 0.40	-	$ -
Issued	-	-	531,650	0.40
Balance, end of period	531,650	$ 0.40	531,650	$ 0.40

Subsequent to April 30, 2023, 531,650 finders' warrants expired on June 9, 2023.

6. SHARE CAPITAL – (cont'd)

(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.

(f) Escrow Shares

15,000,000 common shares are 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 April 30, 2023, 9,000,000 (July 31, 2022 – 11,250,000) common shares are held in escrow with the next release on June 9, 2023.

(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.

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.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

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.

On January 11, 2023, 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 $0.10 per share expiring on January 11, 2025. The stock option vest at the date of grant. The fair value of the stock options of $6,000 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of $0.065; Risk-free interest rate of 3.56%; 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 nine months ended April 30, 2023, the Company recognized $6,000 as share-based payment.

The changes in stock options were as follows:

	April 30, 2023	Weighted Average Exercise Price	July 31, 2022	Weighted Average Exercise Price
Balance, beginning of period	230,000	$ 0.48	-	$ -
Granted	200,000	0.10	250,000	0.50
Exercised	-	-	(20,000)	0.75
Balance, end of period	430,000	$ 0.30	230,000	$ 0.48

As at April 30, 2023, the Company had 430,000 stock options outstanding as follows:

Number of Stock Options	Exercisable	Exercise Price	Expiry Date
200,000	200,000	$0.40	December 8, 2023
200,000	200,000	$0.10	January 11, 2025
30,000	30,000	$1.02	February 1, 2027
430,000	430,000		

6. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

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. As of April 30, 2023, 93,750 RSU are vested, and the shares are not issued.

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, 2,000,000 common shares were issued. As of April 30, 2023, 100,000 RSU are vested, and the shares are not issued.

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 nine months ended April 30, 2023, the Company recognized $4,682 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus. As of April 30, 2023, 147,750 RSU are vested, and the shares are not issued.

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 nine months ended April 30, 2023, the Company recognized $35,316 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus. As of April 30, 2023, 193,524 RSU are vested, and the shares are not issued.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

Restricted Share Unit Plans – (cont'd)

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 nine months ended April 30, 2023, the Company recognized $24,226 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus. As of April 30, 2023, 131,046 RSU are vested, and the shares are not issued.

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. As of April 30, 2023, 100,000 RSU are vested, and the shares are not issued.

On August 1, 2022, the Company will grant 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. During the nine months ended April 30, 2023, the Company recognized $7,140 as share-based payment and, as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus. As of April 30, 2023, 34,000 RSU are vested, and the shares are not issued.

On August 28, 2022, the Company granted 100,000 RSU with vesting terms of 33,333 RSU on August 28, 2023 and 2024 and 33,334 RSU on August 28, 2025. During the nine months ended April 30, 2023, the Company recognized $8,199 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:

	April 30, 2023	**July 31, 2022**
Balance, beginning of period	766,070	-
Granted	134,000	3,033,570
Issued Shares	-	(2,080,000)
Cancelled	-	(187,500)
Balance, end of period	900,070	766,070

As at April 30, 2023, 800,070 RSU have vested and shares have not yet been issued.

(Expressed in Canadian Dollars)

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 for the nine months ended April 30, 2023 and 2022 comprises:

	Relationship	2023	2022
Consulting fees			
1196019 BC Ltd.	Controlled by Faizaan Lalani, CFO and Director	$ 63,000	$ 75,000
Schultz Engineering LLC	Controlled by Kraig Schultz, Former Director	6,592	61,477
Cesar Barbosa	Vice President	72,598	24,093
Antonio Camara	Director	39,324	24,953
Edmundo Nobre	Director	45,374	42,636
Red Wave	Controlled by John Hagie, CEO and Director	64,145	56,849
		291,033	285,008
Share-based payments			
Faizaan Lalani	CFO	3,000	99,000
Daren Hermiston	Director	3,000	21,000
		6,000	120,000
		$ 297,033	$ 405,008

Included in amounts receivable as at April 30, 2023 was $13,010 (July 31, 2022 - $8,710) 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 April 30, 2023 is $117,309 (July 31, 2022 - $7,000) owed to directors of the Company for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

8. CAPITAL MANAGEMENT

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

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

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

There were no changes to the Company's approach to capital management during the period ended April 30, 2023.

9. FINANCIAL INSTRUMENTS AND RISKS

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

- Liquidity risk
- Market risk
- Credit risk

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

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

Liquidity Risk

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

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at April 30, 2023, the Company had a working capital deficiency of $514,108 (July 31, 2022 working capital - $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.

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

Market Risk

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

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 April 30, 2023, the Company have bank indebtedness denominated in US dollars of US$154 (July 31, 2022 – US$11,588), accounts receivable of US$9,521 (July 31, 2022 – $7,903) and accounts payable and accrued liabilities of US$352,057 (July 31, 2022 – US$46,581) translated at US$1 for every $1.36. 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 $47,000.

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

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, accounts payable and accrued liabilities and due to related party. 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.

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

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).