

The following Management's Discussion and Analysis ("MD&A") is prepared as at November 17, 2023 in accordance with National Instrument 51-102F1, and should be read together with the audited consolidated financial statements for the year ended July 31, 2023 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). Tuga Innovations, Inc.'s (the "Company") fiscal year end is July 31. Additional information regarding the Company will be available through the SEDAR+ website at www.sedarplus.com.

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

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

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

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

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

The Company's Business

TUGA Innovations, Inc. (the "Company" or "TUGA") was incorporated on April 7, 2021 under the name 1298562 B.C. Ltd. in British Columbia and is the parent company of TUGA-Global, Inc. ("TUGA-Global"). The Company's principal business activity is to reduce Urban Mobility difficulties by developing a three-wheeled, fully electric fore-and-aft 2 seat vehicle. The Company's registered office is 1200 – 750 West Pender Street, Vancouver, BC V6C 2T8 and its head office is located at 409 Granville Street, Suite 1000, Vancouver, British Columbia V6C 1T2. The principle place of business is Rua do Moinho Vermelho, 50 2645-449 Alcabideche, Portugal.

On November 30, 2021, the Company filed its long form prospectus and on December 2, 2021, received approval for listing on the Canadian Securities Exchange and commenced trading on December 8, 2021 under the trading symbol "TUGA". The Company is also trading on the German Borse Frankfurt exchange under the trading symbol "DQ5".

On May 5, 2022, the Company announced that it has received approval from the Depository Trust Company (DTC) for trading on the OTC Markets quotation under the trading symbol "TUGAF". The DTC is a subsidiary of the Depository Trust Clearing Corp., a United States company that manages the electronic clearing and settlement of publicly traded companies. DTC eligibility incorporates an electronic method of clearing securities that speeds up the receipt of stock and cash and thus accelerates the settlement process for certain

investors. DTC is a member of the U.S. Federal Reserve System, a limited-purpose trust company under New York State banking law and a registered clearing agency with the U.S. Securities and Exchange Commission.

Description of the Business

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

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

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

Selected Annual Financial Information

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

	Year ended July 31, 2023	Year ended July 31, 2022	Period ended July 31, 2021
Revenue	\$ -	\$ -	\$ -
Net loss	\$ 1,776,501	\$ 5,810,429	\$ 558,340
Total comprehensive loss	\$ 1,766,832	\$ 5,824,013	\$ 567,882
Loss per share	\$ 0.04	\$ 0.15	\$ 0.05
Total assets	\$ 175,608	\$ 1,004,962	\$ 490,413

TUGA-Global was incorporated on September 1, 2020 and July 31, 2021 was the Company's first fiscal year end. The Company did not record any revenues in the period ended July 31, 2021 and incurred a net loss of \$558,340. The net loss in the period is largely attributed to consulting and professional fees, and transaction expense related to the reverse acquisition. The Company's total assets for the period ended July 31, 2021 were \$490,413 which is mainly made up of cash.

During the year ended July 31, 2022, the Company did not record any revenues and incurred a net loss of \$5,810,429, which mainly consisted of share-based payments, consulting fees and research and development expenses. Total assets for the year were \$1,004,962 which is mainly made up of cash, amounts receivable and furniture and equipment.

During the year ended July 31, 2023, the Company did not record any revenues and incurred a net loss of \$1,776,501, which mainly consisted of consulting fees, professional fees and research and development expenses. The Company's total assets for the year ended July 31, 2023 were \$175,608 which is mainly made up of cash and accounts receivable.

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

Selected Quarterly Financial Information

A summary of results for the most recent eight quarters are as follows:

	July 31, 2023 Qtr 4	April 30, 2023 Qtr 3	January 31, 2023 Qtr 2	October 31, 2022 Qtr 1
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 313,364	\$ 325,929	\$ 514,295	\$ 622,913
Comprehensive loss	\$ 300,309	\$ 327,110	\$ 514,889	\$ 624,524
Loss per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

	July 31, 2022 Qtr 4	April 30, 2022 Qtr 3	January 31, 2022 Qtr 2	October 31, 2021 Qtr 1
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 1,343,048	\$ 2,593,471	\$ 1,393,335	\$ 480,575
Comprehensive loss	\$ 1,347,807	\$ 2,592,421	\$ 1,401,220	\$ 482,565
Loss per share	\$ 0.03	\$ 0.06	\$ 0.04	\$ 0.02

During the three months ended October 31, 2021, the Company recorded a net loss of \$480,575 as compared to \$408,201 for the previous quarter ended July 31, 2021. The increase can be attributed to an increase in professional fees. During the three months ended January 31, 2022, the Company recorded a net loss of \$1,393,335 as compared to \$480,575 for the previous quarter. The increase can be attributed to the fair value of the stock options granted and restricted share units ("RSU") issued during the quarter and an increase in operations as the Company continues with the research and development and marketing of its product. During the three months ended April 30, 2022, the Company recorded a net loss of \$2,593,471 as compared to \$1,393,335 for the previous quarter. The increase can be attributed to the fair value of the stock options and RSU issued/vested during the quarter. During the three months ended July 31, 2022, the Company recorded a net loss of \$1,343,048 as compared to the net loss of \$2,593,471 for the previous quarter. The decrease can be attributed to less share-based payments recorded in the quarter, as there were fewer stock options and RSU granted. During the three months ended October 31, 2022, the Company recorded a net loss of \$622,913 as compared to the net loss of \$1,343,048 for the previous quarter. The decrease can be attributed to less investor relations and research and development expenses during the quarter. During the three months ended January 31, 2023, the Company recorded a net loss of \$514,295 as compared to the net loss of \$622,913 for the previous quarter. The decrease can be attributed to less investor relations, share-based payments, professional fees and research and development expenses during the quarter. During the three months ended April 30, 2023, the Company recorded a net loss of \$325,929 as compared to \$514,295 for the previous quarter. The decrease can be attributed to less research and development expense during the quarter. During the three months ended July 31, 2023, the Company recorded a net loss of \$313,364 as compared to \$325,929 for the previous quarter. The decrease can be attributed to less consulting fees during the quarter.

Results of Operations

For the year ended July 31, 2023:

The Company did not record any revenues in the year ended July 31, 2023, and recorded a net loss of

\$1,776,501 as compared to a net loss of \$5,810,429 for the comparable year ended July 31, 2022. A decrease of approximately \$4,030,000.

Total expenses for the year ended July 31, 2023, amounted to \$1,776,501 as compared to \$5,810,429 for the comparable year. The decrease in total expenses can be attributed to the following:

Consulting fees have decreased to \$804,133 as compared to \$1,026,176 for the comparable year. The comparable year balance was the result of numerous third parties for business and financial advisory; and administrative services as the Company continues to expand its operations. During the year, the Company did not hire new consultants. \$326,373 in fees were paid to directors and officers of the Company as compared to \$380,263 for the comparable year, see related party section for details.

Professional fees have decreased to \$224,116 for the current year as compared to \$327,479 for the comparable year. In the comparable year, professional fees included legal fees associated with the merger agreement, listing statement and general corporate matters.

Marketing have decreased to \$91,067 down from \$201,281 for the comparable year. The decrease can be attributed to the discontinuation of marketing services provided by consultants in the comparable year.

Research and development expenses have decreased to \$374,734 from \$1,044,603 from the comparable year due to cash flow constraints.

Share-based payments have decreased to \$88,642 from \$2,194,716, as there were fewer stock options and RSUs granted. The fair value of the share-based payment was valued using the Black-Scholes option valuation model. Share-based payments are non-cash transactions.

The Company is planning to raise working capital through equity financing to maintain operations.

Fourth Quarter

During the fourth quarter ended July 31, 2023, the Company incurred a net loss of \$313,364 as compared to the net loss of \$1,343,048 for the comparable quarter. Most of the costs incurred during the fourth quarter included consulting fees. The Company also recognized share-based payments on RSU vested during the quarter. The fourth quarter also reflect year end audit fee accruals and adjustments.

Liquidity and Capital Resources

The Company's cash position as at July 31, 2023 was \$41,909 (July 31, 2022 – \$855,166) with a working capital deficiency of \$807,506 (July 31, 2022 working capital – \$806,442). Total assets as at July 31, 2023 was \$175,608 (July 31, 2022 – \$1,004,962).

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

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

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders'

equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

On March 27, 2023, the Company issued an aggregate of 750,000 units at a price of \$0.06 per unit for total proceeds of \$45,000. Each unit consists of one common share and one-half common share purchase warrant, with each 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 \$0.06 per unit for total proceeds of \$14,699. Each unit consists of one common share and one-half common share purchase warrant, with each 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.

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.

Going Concern

The 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, 2023, the Company has not achieved profitable operations, has accumulated losses of \$8,145,270 (July 31, 2022 – \$6,368,769) since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds, and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Financial Instruments

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at July 31, 2023, the Company had a working capital deficiency of \$807,506.

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.

Foreign Currency Risk

The Company may be exposed to foreign currency risk on fluctuations related to cash, amounts receivable from related parties, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at July 31, 2023, the Company held cash denominated in US dollars of US\$771 (2022 – US\$105,708), accounts receivable of US\$9,521 (2022 – \$7,903) and accounts payable and accrued liabilities of US\$488,671 (2022 – US\$46,581) translated at US\$1 for every \$1.32. 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 \$63,000.

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

Related Party Transactions

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

Key Management Compensation

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation for the years ended July 31, 2023 and 2022 comprises:

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Relationship		2023	2022
Consulting fees			
Schultz Engineering LLC	Controlled by Kraig Schultz, former director	\$ 6,579	\$ 69,374
Smart-TUGA, Lda	Controlled by Cesar Barbosa, VP and director	96,617	77,506
Antonio Camara	Director	52,334	37,441
Edmundo Nobre	Former Director	-	23,796
Red Wave, Unipessoal LDA	Controlled by John Hagie, CEO and director	86,843	76,146
1196019 BC Ltd.	Controlled by Faizaan Lalani, CFO and director	84,000	96,000
		326,373	380,263
Share-based payments			
Faizaan Lalani	CFO and director	3,000	99,000
Daren Hermiston	Former Director	3,000	21,000
		6,000	120,000
		\$ 332,373	\$ 500,263

Included in amounts receivable as at July 31, 2023 was \$12,648 (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 July 31, 2023 is \$187,355 (2022 - \$7,000) owed to directors for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

Proposed Transaction

N/A

Subsequent Events

Subsequent to July 31, 2023:

On September 26, 2023, a director of the Company loaned \$27,835 to the Company for advances on working capital. These amounts are non-interest bearing, unsecured and payable on demand.

On November 14, 2023, the Company issued 193,524 common shares to settle RSUs vested.

Outstanding Share Data

Below is the summary of the Company's share capital as at July 31, 2023 and as of the date of this report:

Security description	As at	
	July 31, 2023	MD&A
Common shares – issued and outstanding	45,490,004	45,683,528
Warrants issued	35,956,928	35,956,928
Performance warrants	30,000,000	30,000,000
Stock options	430,000	430,000
Restricted share units	900,070	706,546

Common shares – fully diluted	112,777,002	112,777,002
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Critical Accounting Estimates and Judgments

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

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

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

Business and Industry Risks

No Operating History

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

Resale of Common Shares

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

Price Volatility of Publicly Traded Securities

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

Geopolitical Events

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, relations between NATO and Russian Federation regarding the situation in Ukraine, and the war escalation between Hamas and Israel 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.

Reliance on Third-Parties

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

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

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

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

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Risks that we face in undertaking this expansion include:

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

We intend to continue to hire a number of additional personnel, including design and manufacturing personnel and service technicians for our EVs. Competition for individuals with experience designing, manufacturing

and servicing EVs is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future. The failure to attract, integrate, train, motivate and retain these additional employees could seriously harm our business and prospects.

Conflict of Interest

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

Additional Financing

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

Going Concern Risk

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

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

The Company's business is subject to a number of risks and hazards generally, including accidents, labour disputes, and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

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

Claims and Legal Proceedings

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

Difficulty in Forecasting

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

Internal control systems

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