

The following Management's Discussion and Analysis ("MD&A") is prepared as at March 28, 2024 in accordance with National Instrument 51-102F1, and should be read together with the unaudited condensed interim consolidated financial statements for the six months ended January 31, 2024 and 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](http://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 ("CSE") 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.

Prior to August 1, 2023, the functional currency of the TUGA-Global's operations and corporate office was in the US Dollar. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", an entity's functional currency should reflect the underlying transactions, events and conditions relevant to the entity. Determination of the functional currency involves judgment to assess the primary economic environment in which the Company operates in, and this is re-evaluated for each entity or if conditions change. Based on management's evaluation, taking into consideration the currency that mainly influences the price for goods and services, labour, material and other costs of providing goods and services, management determined that the functional currency of TUGA-Global is Euros. The change in functional currency has been accounted for prospectively, with no impact of this change on prior year's comparative information.

On January 30, 2024, the Company completed a private placement offering of 53.5 million units at a price of one cent per unit for gross proceeds of \$535,000, to the vice-president, director and founder of the Company, Cesar Barbosa.

Each unit is composed of one common share in the capital of the company and one transferable purchase warrant. Each warrant will entitle the holder to purchase one additional common share in the capital of the company at nine cents per share for a period of 24 months following the closing of the offering.

On closing of the offering, Mr. Barbosa will hold approximately 59.95 per cent of the total issued and outstanding shares of the Company on an undiluted basis, or approximately 74.98 per cent on a partially diluted basis, inclusive of the exercise of all of Mr. Barbosa's warrants and management performance warrants.

The sale of the units, and the common shares and warrant shares issuable thereby, will result in the issuance of more than 100 per cent of the current number of issued and outstanding common shares of the Company. The listings committee of the Canadian Securities Exchange has approved the company's reliance on an exemption from the shareholder approval requirements in Section 4.6(2) of CSE Policy 4 (Corporate Governance, Security Holder Approvals and Miscellaneous Provisions) on the basis that Tuga is in serious financial difficulty, and the CSE has granted a waiver for the insider participation from the requirement of Section 4.6(2)(b)(iii) of CSE Policy 4. Accordingly, the Company will not hold a vote of its shareholders to approve the sale of the units to Mr. Barbosa. Additionally, a condition of Mr. Barbosa's participation in the offering is that he enter into an agreement with the Company, pursuant to which he will agree to not vote more than 19.9 per cent of the Company's outstanding shares. This restriction on Mr. Barbosa's voting will remain in place until shareholder approval for the creation of Mr. Barbosa as a new control person of the Company has been obtained in accordance with the policies of the CSE.

As he is a director of the Company, Mr. Barbosa's participation in the offering is also considered to be a related-party transaction as defined under Multilateral Instrument 61-101. The company is relying on exemptions from the formal valuation requirements contained in Section 5.5(b) of MI 61-101 and the minority shareholder approval requirements contained in Section 5.7(1)(b) of MI 61-101. These exemptions are applicable as the Company is not listed on specified markets, and the securities distributed, and the consideration to be paid by Mr. Barbosa for these securities, will not exceed \$2.5-million. The Company will not file a material change report with respect to the participation of the insider at least 21 days prior to the issuance of the units as timing of the offering was not determined until recently.

The proceeds of the offering will be used toward advancing the company's next prototype, seeking additional financing and making payment on existing accounts payable.

### **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 of deems relevant.

### **Selected Quarterly Financial Information**

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

	January 31, 2024 Qtr 1	October 31, 2023 Qtr 1	July 31, 2023 Qtr 4	April 30, 2023 Qtr 3
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 529,938	\$ 160,262	\$ 313,364	\$ 325,929
Comprehensive loss	\$ 479,990	\$ 136,742	\$ 300,309	\$ 327,110
Loss per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01

	January 31, 2023 Qtr 2	October 31, 2022 Qtr 1	July 31, 2022 Qtr 4	April 30, 2022 Qtr 3
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 514,295	\$ 622,913	\$ 1,343,048	\$ 2,593,471
Comprehensive loss	\$ 514,889	\$ 624,524	\$ 1,347,807	\$ 2,592,421
Loss per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.06

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 ended January 31, 2022. 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. During the three months ended October 31, 2023, the Company recorded a net loss of \$160,262 as compared to \$313,364 for the previous quarter. The decrease can be attributed to less expenses incurred during the quarter due to cash constraints. During the three months ended January 31, 2024, the Company recorded a net loss of \$529,938 as compared to \$160,262 for the previous quarter. The increase can be attributed to the increase in consulting fees by engaging a new consultant to map out the Company's short and mid-term business model.

### **Results of Operations**

For the three months ended January 31, 2024:

The Company did not record any revenues in the three months ended January 31, 2024, and recorded a net loss of \$529,938 which is comparable to the net loss of \$514,295 for the comparable quarter ended January 31, 2023. Due to cash constraints, the Company reduced its operations and halted its research and development of its prototype, while maintaining the Company's reporting issuer status. The Company is using its best effort to raise capital to continue its operations. In the current quarter, the Company was able to raise \$535,000 in a private placement subscribed by a director of the Company for working capital. The Company

engaged a consultant to provide a comprehensive mapping of a short-term and mid-term business model which it can utilize to help raise needed capital to continue with its business operations. There were no stock options granted during the current quarter. There were only RSUs granted and vested during the quarter. The fair value of the share-based payment was valued using the Black-Scholes option valuation model. Share-based payments are non-cash transactions.

For the six months ended January 31, 2024:

The Company did not record any revenues in the six months ended January 31, 2024, and recorded a net loss of \$690,200 compared to the net loss of \$1,137,208 for the comparable period ended January 31, 2023. A decrease of approximately \$447,000. As noted earlier, due to cash constraints, the Company reduced its operations and halted its research and development of its prototype, while maintaining the Company's reporting issuer status. The Company was able to engage a consultant to provide a comprehensive mapping of a business model which the Company will utilize to help raise needed capital to continue with its operations. In the short term, the Company was able to raise \$535,000 in a private placement subscribed by a director of the Company for working capital. There were no stock options granted during the current period to date. There were only RSUs granted and vested. The fair value of the share-based payment was valued using the Black-Scholes option valuation model. Share-based payments are non-cash transactions. Effective August 1, 2023, the Company's wholly owned subsidiary Tuga-Global, Inc. changed its functional currency from US dollars to Euros when it moved its operations to Europe. The Company recorded a change in functional currency of \$56,140 resulted from the exchange difference arise on the translation of monetary items.

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

#### **Fourth Quarter**

N/A

#### **Liquidity and Capital Resources**

The Company's cash position as at January 31, 2024 was \$538,315 (July 31, 2023 – \$41,909) with a working capital deficiency of \$899,708 (July 31, 2023 working capital deficiency – \$807,506). Total assets as at January 31, 2024 was \$611,598 (July 31, 2023 – \$175,608).

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 January 30, 2024, the Company issued an aggregate of 53,500,000 units at a price of \$0.01 per unit for

total proceeds of \$535,000 from a company controlled by a director of the Company. Each unit consists of one common share and one common share purchase warrant, with each whole warrant entitling the holder to subscribe for one common share at a price of \$0.09 per share for a period of two years from issuance. In connection to the financing, the Company paid share issue costs of \$18,829 as legal costs.

### **Going Concern**

The condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At January 31, 2024, the Company has not achieved profitable operations, has accumulated losses of \$8,835,470 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds, and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

### **Off Balance Sheet Arrangements**

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

### **Financial Instruments**

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

#### *Credit risk*

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

#### *Interest rate risk*

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

#### *Liquidity risk*

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

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at January 31, 2024, the Company had a working capital deficiency of \$899,708 (July 31, 2023 working capital deficiency - \$807,506). 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.

*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 January 31, 2024, the Company held cash denominated in Canadian dollars \$399,898 (July 31, 2023 – \$1,017), accounts receivable of \$13,848 (July 31, 2023– \$12,546) and accounts payable and accrued liabilities of \$1,115,897 (July 31, 2023 – \$643,922). 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 \$70,000. 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 six months ended January 31, 2024 and 2023 comprises:

Relationship		2023	2022
Consulting fees			
1196019 BC Ltd.	Controlled by Faizaan Lalani, CFO and	\$ 42,000	\$ 42,000
Schultz Engineering LLC	Controlled by Kraig Schultz, Former Director	-	6,567
Smart-TUGA, LDA	Controlled by Cesar Barbosa, VP and	-	48,215
Antonio Camara	Director	-	26,116
Edmundo, Nobre	Director	-	30,134
Red Wave, Unipessoal	Controlled by John Hagie, CEO and Director	45,856	41,492
		87,856	194,524
Share-based payments			
Faizaan Lalani	CFO	-	3,000
Daren Hermiston	Former Director	-	3,000
		-	6,000
		\$ 87,856	\$ 200,524

Included in amounts receivable as at January 31, 2024 was \$13,929 (July 31, 2023 - \$12,648) 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 January 31, 2024 is \$287,155 (July 31, 2023 - \$187,355) owed to directors for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

On January 30, 2024, the Company completed a private placement with a company control by a director of the Company for 53,500,000 units at a price of \$0.01 per unit for total proceeds of \$535,000. Each unit consists of one common share and one common share purchase warrant, with each whole warrant entitling the holder to subscribe for one common share at a price of \$0.09 per share for a period of two years from issuance. Upon completion of the private placement a director will hold approximately 59.95% of the total issued and outstanding shares of the Company on an undiluted basis, or approximately 74.98% on a partially diluted basis, inclusive of all the share purchase warrants and management performance warrants. The director has agreed to not vote more than 19.9% of the Company's outstanding shares. The restriction will remain in place until shareholder approval for the creation of the director as a new control person of the Company has been obtained in accordance with the policies of the CSE.

***Due to related party***

As at January 31, 2024, a director of the Company advanced \$27,835 (EUR 19,905) (July 31, 2023 - \$Nil) as a short-term loan for working capital. The amount is unsecured, non-interest bearing and is due on demand.

**Proposed Transaction**

N/A

**Subsequent Events**

N/A

**Outstanding Share Data**

Below is the summary of the Company's share capital as at January 31, 2024 and as of the date of this report:

Security description	As at	
	January 31, 2024	MD&A
Common shares – issued and outstanding	99,183,528	99,183,528
Warrants issued	89,456,928	89,456,928
Performance warrants	30,000,000	30,000,000
Stock options	230,000	230,000
Restricted share units	739,546	739,546
Common shares – fully diluted	219,610,002	219,610,002

**Critical Accounting Estimates and Judgments**

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



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

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

## **Business and Industry Risks**

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

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

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

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

### **Claims and Legal Proceedings**

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

### **Difficulty in Forecasting**

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

#### **Internal control systems**

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