TUGA INNOVATIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2024 and 2023

(Expressed in Canadian Dollars)

Crowe

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Independent Auditor's Report

To the Shareholders of TUGA Innovations, Inc.

Opinion

We have audited the consolidated financial statements of TUGA Innovations, Inc. (the "Group"), which comprise the consolidated statements of financial position as at July 31, 2024 and July 31, 2023 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2024 and July 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Crowe Mackay LLP

Chartered Professional Accountants
Vancouver, Canada
November 28, 2024

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at July 31, 2024 and 2023
(Expressed in Canadian Dollars)

		2024		2023
ASSETS				
Current				
Cash	$	10,417	$	41,909
Amounts receivable (Note 7)		19,478		71,494
Prepaid expenses		434		12,805
		30,329		126,208
Furniture and equipment (Note 5)		28,853		37,359
Patents		12,359		12,041
	$	71,541	$	175,608
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	$	1,383,547	$	933,714
Due to related party (Note 7)		97,755		-
		1,481,302		933,714
SHAREHOLDERS' DEFICIT				
Share capital (Note 6)		7,294,381		6,582,443
Contributed surplus (Note 6)		627,849		818,178
Accumulated other comprehensive loss		(35,853)		(13,457)
Deficit		(9,296,138)		(8,145,270)
		(1,409,761)		(758,106)
	$	71,541	$	175,608

Going concern (Note 2)
Subsequent event (Notes 6 and 12)

APPROVED ON BEHALF OF THE BOARD:

"César Barbosa"	Director	*"John Hagie"*	Director
César Barbosa		John Hagie	

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
Expenses		
Consulting fees (Note 7)	$ 795,040	$ 804,133
Depreciation (Note 5)	9,321	9,204
Foreign exchange loss	11,365	774
Filing and transfer agent fees	26,680	27,627
Investor relations	12,077	44,694
Marketing	60,710	91,067
Office and general	73,685	85,212
Professional fees	125,073	224,116
Research and development expenses	1,669	374,734
Share-based payments (Notes 6 and 7)	7,065	88,642
Travel and promotion	28,183	26,298
Net loss for the year	(1,150,868)	(1,776,501)
Other comprehensive loss		
(Loss) gain on translation of foreign operations	(22,396)	9,669
	(22,396)	-
Total comprehensive loss for the year	$ (1,173,264)	$ (1,766,832)
Basic and diluted loss per share	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding	72,377,480	44,827,756

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity (Deficit)
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 payments – Restricted Share Units ("RSU")	-	-	82,642	-	-	82,642
Share-based payments – Stock Options	-	-	6,000	-	-	6,000
Comprehensive loss for the year	-	-	-	9,669	(1,776,501)	(1,766,832)
Balance, July 31, 2023	45,490,004	6,582,443	818,178	(13,457)	(8,145,270)	(758,106)
Private placement	53,500,000	535,000	-	-	-	535,000
Share issue cost – cash	-	(20,456)	-	-	-	(20,456)
Shares issued to settle RSU	193,524	197,394	(197,394)	-	-	-
Share-based payments – RSU	-	-	7,065	-	-	7,065
Comprehensive loss for the year	-	-	-	(22,396)	(1,150,868)	(1,173,264)
Balance, July 31, 2024	99,183,528	$ 7,294,381	$ 627,849	$ (35,853)	$ (9,296,138)	$ (1,409,761)

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

TUGA INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
Operating Activities		
Net loss for the year	$ (1,150,868)	$ (1,776,501)
Items not affecting cash:		
Depreciation	9,321	9,204
Foreign exchange (gain) loss	(23,529)	774
Share-based payments	7,065	88,642
Changes in non-cash working capital items related to operations:		
Amounts receivable	52,016	5,714
Prepaid expenses	12,371	2,910
Accounts payable and accrued liabilities	449,833	792,067
Due to related party	69,920	-
Cash used in operating activities	(573,871)	(877,190)
Financing Activities		
Loan from related party	27,835	-
Shares issued for cash	535,000	59,699
Share issue cost – cash	(20,456)	(2,930)
Cash provided by financing activities	542,379	56,769
Effect of foreign exchange on cash	-	7,164
Change in cash during the year	(31,492)	(813,257)
Cash, beginning of year	41,909	855,166
Cash, end of the year	$ 10,417	$ 41,909

	2024	2023
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing transaction:		
Fair value of shares issued to settle RSUs	$ 197,394	$ -

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

1. CORPORATE INFORMATION

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

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".

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2024.

(b) Basis of Measurement

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

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of the TUGA-Global is Euros (2023 – US dollar) (Note 4).

2. BASIS OF PREPARATION – (cont'd)

(c) Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At July 31, 2024, the Company has not achieved profitable operations, has accumulated losses of $9,296,138 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, relations between NATO and Russian Federation regarding the situation in Ukraine, and the escalation of war between Israel and Hamas in Gaza 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. MATERIAL ACCOUNTING POLICIES

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

Principles of consolidation

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

		Percentage of ownership	
	Jurisdiction	**2024**	**2023**
TUGA-Global, Inc.	United States	100%	100%

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

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

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

3. MATERIAL ACCOUNTING POLICIES – (cont'd)

Furniture and Equipment

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

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

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

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

Impairment of Assets

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES – (cont'd)

Financial Instruments

Financial Assets

The Company initially measures cash and amounts receivable from related parties at fair value and subsequently measures it at amortized cost.

Financial Liabilities

The Company initially measures its accounts payable and accrued liabilities and due to related party at fair value and subsequently measures it at amortized cost.

Share Capital

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

Foreign Currency

The consolidated financial statements are presented in Canadian dollars which is the functional currency of TUGA. The functional currency of TUGA-Global is Euros (2023 – US Dollar).

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

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate on the transaction date. Gains and losses on translation of monetary and non-monetary items are recognized in net loss.

3. MATERIAL ACCOUNTING POLICIES – (cont'd)

Research and development

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

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

Share-Based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to contributed surplus. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of stock options that will eventually vest.

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES – (cont'd)

Share-Based Payments – (cont'd)

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

Recent accounting pronouncements and changes in accounting policies

The following new standards and amendments are not yet effective and have not been applied in preparing these consolidated financial statements.

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

The amendments to IAS 1 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, 2024 and are not expected to have a material impact on the Company.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses – operating, investing or financing – to improve the structure of the income statements, and require all companies to provide new defined subtotals, including operating profit;
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement; and
3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be evaluating the impact of the above amendments on its consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES – (cont'd)

Recent accounting pronouncements and changes in accounting policies – (cont'd)

The following new standard was adopted during the year:

Disclosure of accounting policies (Amendments to International Accounting Standard ("IAS") 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments)

As part of the new amendments, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from August 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements. Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

Going Concern

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

Functional Currency

Prior to August 1, 2023, the functional currency of TUGA-Global was 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 and material, management determined that the functional currency of TUGA-Global is the Euros. The change in functional currency has been accounted for prospectively, with no impact of this change on prior year's comparative information. There was no change in the functional currency of TUGA.

(Expressed in Canadian Dollars)

5. FURNITURE AND EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at July 31, 2022	$ 14,075	$ 33,925	$ 48,000
Foreign exchange	388	933	1,321
Balance at July 31, 2023	14,463	34,858	49,321
Foreign exchange	382	920	1,302
Balance at July 31, 2024	$ 14,845	$ 35,778	$ 50,623
Accumulated Depreciation			
Balance at July 31, 2022	$ 720	$ 2,126	$ 2,846
Depreciation	2,104	7,100	9,204
Foreign exchange	(19)	(69)	(88)
Balance at July 31, 2023	2,805	9,157	11,962
Depreciation	2,131	7,190	9,321
Foreign exchange	114	373	487
Balance at July 31, 2024	$ 5,050	$ 16,720	$ 21,770
Net Book Value			
At July 31, 2023	$ 11,658	$ 25,701	$ 37,359
At July 31, 2024	$ 9,795	$ 19,058	$ 28,853

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

During the year ended July 31, 2024:

On November 14, 2023, the Company issued 193,524 common shares in settlement of the RSU and transferred $197,394 from contributed surplus.

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. The Company used the residual method with respect to the measurement of shares and warrants issued and a fair value of $Nil was allocated to the 53,500,000 share purchase warrants. In connection to the financing, the Company paid share issue costs of $20,456.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(b) Issued – (cont'd)

During the year ended July 31, 2023:

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 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 $0.06 per unit for total proceeds of $14,699. Each unit consists of one common share and one-half common share purchase warrant, with each 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.

(c) Share Purchase Warrants

The changes in warrants were as follows:

	2024	Weighted Average Exercise Price	2023	Weighted Average Exercise Price
Balance, beginning of year	35,956,928	$ 0.09	35,459,436	$ 0.09
Issued	53,500,000	0.09	497,492	0.11
Expired	(35,459,436)	0.09	-	-
Balance, end of year	53,997,492	$ 0.09	35,956,928	$ 0.09

As at July 31, 2024, the Company had share purchase warrants outstanding as follows:

Outstanding	Exercise Price	Weighted average remaining life	Expiry Date
*375,000	$0.11		March 26, 2025
*122,492	$0.11		April 12, 2025
53,500,000	$0.09		January 30, 2026
53,997,492		1.49 years	

*If over a period of 10 consecutive days between the date of issuance and expiry of the warrants, the daily volume weighted average trading price of the common shares exceeds $0.30, the term of the warrants will be accelerated to a 30-day exercise period.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(d) Finders' Warrants

The changes in finders' warrants were as follows:

	2024	Weighted Average Exercise Price	2023	Weighted Average Exercise Price
Balance, beginning of year	-	$ -	531,650	$ 0.40
Expired	-	-	(531,650)	0.40
Balance, end of year	-	$ -	-	$ -

(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. Each of the 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. Each of the 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). Each of the 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 (2023 – $Nil).

(f) Escrow Shares

On the Listing Date, 15,000,000 common shares are to be held in escrow. Under the escrow agreement, 10% of the shares will be released on the Listing Date with the remaining 90% to be released in equal tranches at six-month intervals over the 36 months following the Listing Date. As at July 31, 2024, 2,250,000 (2023 – 6,750,000) common shares are held in escrow with the next release on December 9, 2024.

(g) Stock Options

On May 13, 2024, the Company adopted the 2024 Omnibus Equity Incentive Compensation Plan, replacing the Amended 2021 Omnibus Equity Incentive Compensation Plan, under which it is authorized to grant to officers, directors, employees and consultants enabling them to acquire up to 10% 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.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(g) Stock Options – (cont'd)

The changes in stock options were as follows:

	2024	Weighted Average Exercise Price	2023	Weighted Average Exercise Price
Balance, beginning of year	430,000	$ 0.30	230,000	$ 0.48
Issued	-	-	200,000	0.10
Cancelled	(100,000)	0.10	-	-
Expired	(200,000)	0.40	-	-
Balance, end of year	130,000	$ 0.31	430,000	$ 0.30

As at July 31, 2024, the Company had 130,000 stock options outstanding as follows:

Number of Stock Options	Exercisable	Exercise Price	Weighted Average Remaining Life	Expiry Date
30,000	30,000	$1.02		February 1, 2027
*100,000	*100,000	$0.10		January 11, 2025
130,000	130,000		0.92 years	

*Subsequent to the year-end, these options were cancelled.

(h) Restricted Share Units

In accordance with the 2024 Omnibus Equity Incentive Compensation Plan, 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 10% 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.

The Company will grant 100,000 RSU over a two-year period, with the first granting of 34,000 RSU on August 1, 2022 (granted) and 33,000 RSU on each of August 1, 2023 (granted) and 2024 (subsequently granted) respectively. These RSU will vest four months from the date of grant. As of July 31, 2024, 67,000 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 each of August 28, 2023 and 2024 and 33,334 RSU on August 28, 2025. As of July 31, 2024, 33,333 RSU are vested, and the shares are not issued.

On March 7, 2024, the Company granted 100,000 RSU to a consultant of the Company. The RSU will vest on July 7, 2024. As of July 31, 2024,100,000 RSU are vested, and the shares are not issued.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL – (cont'd)

(h) Restricted Share Units – (cont'd)

The changes in RSU were as follows:

	2024	2023
Balance, beginning of year	900,070	766,070
Granted	133,000	134,000
Issued	(193,524)	-
Cancelled	(93,750)	-
Balance, end of year	745,796	900,070

As at July 31, 2024, 745,796 (2023 – 900,070) RSU have vested and shares have not yet been issued.

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Relationship	2024	2023
Consulting fees			
Schultz Engineering LLC	Controlled by Kraig Schultz, former director	$ -	$ 6,579
Smart-TUGA, Lda	Controlled by Cesar Barbosa, VP and director	97,851	96,617
Antonio Camara	Director	-	52,334
Red Wave, Unipessoal LDA	Controlled by John Hagie, CEO and director	89,757	86,843
1196019 BC Ltd.	Controlled by Faizaan Lalani, former CFO and director	63,000	84,000
		250,608	326,373
Share-based payments			
Faizaan Lalani	Former CFO and director	-	3,000
Daren Hermiston	Former Director	-	3,000
		-	6,000
		$ 250,068	$ 332,373

Included in amounts receivable as at July 31, 2024 was $14,452 (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 July 31, 2024 is $327,143 (2023 – $187,355) owed to directors for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

7. RELATED PARTY TRANSACTIONS AND BALANCES – (cont'd)

Included in due to related party as at July 31, 2024 was $97,755 (EUR 66,894) (2023 – $Nil) which includes $27,835 (EUR 19,905) as a loan from the director of the Company for advances on working capital and $69,920 (EUR 46,989) related to expenses incurred by the director. The amount is unsecured, non-interest bearing and payable on demand.

On January 30, 2024, the Company completed a private placement with a company controlled 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 the director will hold approximately 60% of the total issued and outstanding shares of the Company on an undiluted basis, or approximately 75% on a partially diluted basis, inclusive of all the share purchase warrants and management performance warrants. The shareholders of the Company have approved the director to be a new "Control Person" and is authorized to vote any common shares of the Company he holds at any given time.

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 (deficit).

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

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

There were no changes to the Company's approach to capital management during the year ended July 31, 2024.

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 consolidated 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.

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

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, 2024, the Company had a working capital deficiency of $1,450,973 (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.

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 from related parties, accounts payable and accrued liabilities that are denominated in a currency other than the functional currency. As at July 31, 2024, the Company held cash denominated in US dollars $1,312 (2023 – $771), accounts receivable of $10,403 (2023 – $9,521), and accounts payable and accrued liabilities of $196,916 (2023 – $488,671). 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 the net loss by approximately $20,000.

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.

(Expressed in Canadian Dollars)

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

Credit Risk

Financial instruments that potentially expose the Company to credit risk is cash and amounts receivable from related party. To minimize the credit risk on cash, the Company places the instrument with a high credit quality financial institution. Due from related party include amounts owing from key directors and officers. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

Fair Values

The Company's financial instruments include cash, amounts receivable from related parties and 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.

Fair Value Hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

10. INCOME TAXES

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

	2024	2023
Loss before tax	$ (1,150,868)	$ (1,776,501)
Statutory income tax rates	27%	27%
Expected tax recovery	(311,000)	(480,000)
Items not deductible for tax	-	2,000
Change in unrecognized tax benefits not recognized	311,000	478,000
	$ -	$ -

(Expressed in Canadian Dollars)

10. INCOME TAXES – (cont'd)

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	Expiry	2024	2023
Non-capital losses	2039-2044	$ 7,977,000	$ 7,518,000
Share issuance costs	2025-2028	134,000	177,000
Capital assets and intangible assets	None	951,000	42,000
Deferred compensation costs (RSU)	None	310,000	585,000
Start-up costs deductible for tax	None	166,000	158,000
		$ 9,538,000	$ 8,480,000

11. SEGMENTED INFORMATION

The Company operates in one business segment: to develop and market a new class of electric vehicles. Geographic information with respect to the Company's long-term assets are as follows:

	2024	2023
Portugal	$ 28,853	$ 37,359
United States	12,359	12,041
Total long-term assets	$ 41,212	$ 49,400

12. SUBSEQUENT EVENT

Subsequent to July 31, 2024, a director of the Company advanced $66,135 (EUR 45,000) for working capital purposes. The amount is unsecured, non-interest bearing and payable on demand.