

TUGA INNOVATIONS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended April 30, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the nine months ended April 30, 2025 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at April 30, 2025 and July 31, 2024

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	April 30, 2025	July 31, 2024
ASSETS		
Current		
Cash	\$ 313	\$ 10,417
Amounts receivable (Note 7)	18,324	19,478
Prepaid expenses	-	434
	18,637	30,329
Furniture and equipment (Note 5)	22,783	28,853
Patents	12,969	12,359
	\$ 54,389	\$ 71,541
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 1,597,798	\$ 1,383,547
Due to related party (Note 7)	219,165	97,755
	1,816,963	1,481,302
SHAREHOLDERS' DEFICIT		
Share capital (Note 6)	7,294,381	7,294,381
Contributed surplus (Note 6)	630,096	627,849
Accumulated other comprehensive loss	(32,930)	(35,853)
Deficit	(9,654,121)	(9,296,138)
	(1,762,574)	(1,409,761)
	\$ 54,389	\$ 71,541

Going concern (Note 2)

APPROVED ON BEHALF OF THE BOARD:

"César Barbosa" Director
César Barbosa

"John Hagie" Director
John Hagie

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended April 30, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended April 30,		For the nine months ended April 30,	
	2025	2024	2025	2024
Expenses				
Change in functional currency	\$ -	\$ -	\$ -	\$ 56,140
Consulting fees (Note 7)	161,488	67,756	256,589	599,665
Depreciation (Note 5)	4,828	2,320	7,213	6,972
Exchange loss (gain)	(28,574)	9	-	8,659
Filing fees	5,458	4,508	11,525	16,711
Investor relations	-	12,811	-	23,428
Office and general	26,810	21,831	43,646	56,081
Professional fees	14,727	17,692	43,530	56,819
Research and development (recovery)	-	-	-	(11,647)
Share-based payments (Notes 6 and 7)	542	1,369	2,247	5,668
Travel and promotion	-	8,514	-	8,514
Write-off of accounts payable	-	-	(6,768)	-
Net loss for the period	(185,279)	(136,810)	(357,982)	(827,010)
Other comprehensive (loss) income				
Income (loss) on translation of foreign operations	35,509	18,679	2,923	92,147
Total comprehensive loss for the period	\$ (149,770)	\$ (118,131)	\$ (355,059)	\$ (734,863)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	99,183,528	99,183,528	63,376,909	63,376,909

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

For the nine months ended April 30, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated other Comprehensive (Loss) Income	Deficit	Total Shareholders' Deficit
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)
Restricted share unit issued (“RSU”)	193,524	197,394	(197,394)	-	-	-
Share-based payments	-	-	5,668	-	-	5,668
Total comprehensive loss for the period	-	-	-	92,147	(827,010)	(734,863)
Balance April 30, 2024	99,183,528	\$ 7,294,381	\$ 626,452	\$ 78,690	\$ (8,972,280)	\$ (972,757)
Balance, July 31, 2024	99,183,528	\$ 7,294,381	\$ 627,849	\$ (35,853)	\$ (9,296,138)	\$ (1,409,761)
Share-based payments	–	–	2,247	–	–	2,247
Total comprehensive loss for the period	–	–	–	2,923	(357,982)	(355,059)
Balance, April 30, 2025	99,183,528	\$ 7,294,381	\$ 630,096	\$ (32,930)	\$ (9,654,120)	\$ (1,762,573)

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

TUGA INNOVATIONS, INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended April 30, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the nine months ended April 30,	
	2025	2024
Operating Activities		
Net loss for the period	\$ (357,982)	\$ (827,010)
Items not affecting cash:		
Change in functional currency	-	56,140
Depreciation	7,213	6,972
Foreign exchange loss	(1,753)	8,659
Share-based payments	2,247	5,668
Changes in non-cash working capital items related to operations:		
Amounts receivable	1,153	54,996
Prepaid expenses	434	12,178
Accounts payable and accrued liabilities	214,251	83,244
Cash used in operating activities	(134,437)	(599,153)
Financing Activities		
Due to related party	121,410	27,835
Shares issued for cash	-	535,000
Share issue cost – cash	-	(20,456)
Cash provided by financing activities	121,410	542,379
Effect of foreign exchange on cash	2,923	34,879
Change in cash for the period	(10,104)	(21,895)
Cash, beginning of period	10,417	41,909
Cash, end of the period	\$ 313	\$ 20,014
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-Cash Transactions:		
RSU issued	\$ -	\$ 197,394

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

TUGA INNOVATIONS, INC.

Notes to the Condensed Interim Consolidated Financial Statements

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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 1600, 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.

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 condensed interim consolidated financial statements, including comparatives have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board, and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended July 31, 2024.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on June 26, 2025.

(b) Basis of Measurement

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

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

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****April 30, 2025****(Expressed in Canadian Dollars)****(Unaudited – Prepared by Management)**

2. BASIS OF PREPARATION – (cont'd)**(c) Going Concern**

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At April 30, 2025, the Company has not achieved profitable operations, has accumulated losses of \$9,654,121 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 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 preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at July 31, 2024.

Recent accounting pronouncements and changes in accounting policies

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**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.

5. FURNITURE AND EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
<u>Cost</u>			
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
Foreign exchange	732	1,767	2,499
Balance at April 30, 2025	\$ 15,577	\$ 37,545	\$ 53,122
<u>Accumulated Depreciation</u>			
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
Depreciation	1,649	5,564	7,213
Foreign exchange	351	1,005	1,356
Balance at April 30, 2025	\$ 7,050	\$ 23,289	\$ 30,339
<u>Net Book Value</u>			
At July 31, 2024	\$ 9,795	\$ 19,058	\$ 28,853
At April 30, 2025	\$ 8,527	\$ 14,256	\$ 22,783

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****April 30, 2025****(Expressed in Canadian Dollars)****(Unaudited – Prepared by Management)**

6. SHARE CAPITAL**(a) Authorized**

Unlimited common shares with no par value.

(b) Issued

During the nine months ended April 30, 2025:

There were no shares issued during the nine months ended April 30, 2025.

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.

(c) Share Purchase Warrants

The changes in warrants were as follows:

	April 30, 2025	Weighted Average Exercise Price	July 31, 2024	Weighted Average Exercise Price
Balance, beginning of period	53,997,492	\$ 0.09	35,956,928	\$ 0.09
Issued	—	—	53,500,000	0.09
Expired	(497,492)	0.11	(35,459,436)	0.09
Balance, end of period	53,500,000	\$ 0.09	53,997,492	\$ 0.09

As at April 30, 2025, the Company had 53,500,000 share purchase warrants exercisable at \$0.09 per common share expiring on January 30, 2026, with a weighted average remaining life of 0.75 years.

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. SHARE CAPITAL – (cont'd)**(d) 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 (July 31, 2024 – \$Nil).

(e) 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 with the last release on December 9, 2024. As at April 30, 2025, Nil (July 31, 2024 – 2,250,000) common shares are held in escrow.

(f) 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.

The changes in stock options were as follows:

	April 30, 2025	Weighted Average Exercise Price	July 31, 2024	Weighted Average Exercise Price
Balance, beginning of period	130,000	\$ 0.30	430,000	\$ 0.30
Forfeited	(100,000)	0.10	(100,000)	0.10
Expired	–	–	(200,000)	0.40
Balance, end of period	30,000	\$ 1.02	130,000	\$ 0.31

As at April 30, 2025, the Company had 30,000 stock options exercisable at \$1.02 per common share expiring on February 1, 2027 with a weighted average remaining life of 1.76 years.

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. SHARE CAPITAL – (cont'd)**(g) 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 three-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 (granted) respectively. These RSU will vest four months from the date of grant. As of April 30, 2025, 100,000 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.

The changes in RSU were as follows:

	April 30, 2025	July 31, 2024
Balance, beginning of period	745,796	900,070
Granted	33,000	133,000
Issued	–	(193,524)
Cancelled	–	(93,750)
Balance, end of period	778,796	745,796

As at April 30, 2025, 745,462 (July 31, 2024 – 745,796) 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 for the nine months ended April 30, 2025 and 2024 comprises:

TUGA INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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

		For the nine months ended April 30,	
Relationship		2025	2024
Consulting fees			
1196019 BC Ltd.	Controlled by Faizaan Lalani, Former CFO and Former Director	\$ -	\$ 63,000
Cesar Barbosa	Vice President	75,820	-
Red Wave	Controlled by John Hagie, CEO, interim CFO and Director	70,735	66,648
		\$ 146,555	\$ 129,648

Included in amounts receivable as at April 30, 2025 was \$12,635 (July 31, 2024 – \$14,452) in advances to directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

Included in accounts payable and accrued liabilities at April 30, 2025 is \$539,477 (July 31, 2024 – \$327,143) owed to directors for unpaid consulting fees. These amounts are unsecured non-interest bearing and due on demand.

Included in due to related party as at April 30, 2025 was \$219,165 (EUR 139,711) (July 31, 2024 – \$97,755 (EUR 66,894)) which includes \$135,695 (EUR 86,501) (July 31, 2024 – \$27,835 (EUR 19,905)) as a loan from the director of the Company for advances on working capital and \$83,470 (EUR 53,210) (July 31, 2024 – \$69,920 (EUR 46,989)) related to expenses incurred by the director. The amounts are unsecured, non-interest bearing and payable on demand.

8. CAPITAL MANAGEMENT

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

TUGA INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

9. FINANCIAL INSTRUMENTS AND RISKS

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

- Liquidity risk
- Market risk
- Credit risk

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

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

Liquidity Risk

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

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at April 30, 2025, the Company had a working capital deficiency of \$1,798,326 (July 31, 2024 working capital deficiency – \$1,450,973). 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 April 30, 2025, the Company held cash denominated in US dollars \$17 (July 31, 2024 – \$1,312), accounts receivable of \$9,079 (July 31, 2024 – \$10,403), and total accounts payable of \$1,001,891 (July 31, 2024 – \$196,916) translated at period-end rate of \$1.3812. 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 \$132,000.

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

TUGA INNOVATIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****April 30, 2025****(Expressed in Canadian Dollars)****(Unaudited – Prepared by Management)**

9. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)**Interest Rate Risk**

The Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of lithium and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit Risk

Financial instruments that potentially expose the Company to credit risk is cash 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).

TUGA INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

April 30, 2025

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

10. 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:

	April 30, 2025	July 31, 2024
Portugal	\$ 22,783	\$ 28,853
United States	12,969	12,359
Total long-term assets	\$ 35,752	\$ 41,212