Management's Discussion and Analysis of

TAIGA MOTORS CORPORATION

For the three and nine-month periods ended September 30, 2023

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November 10, 2023

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Taiga Motors Corporation and its subsidiaries (also referred to in this MD&A as "we", "our", "Taiga" or the "Company") for the three and nine-month periods ended September 30, 2023. This document should be read in conjunction with our condensed consolidated interim financial statements and notes thereto for the three and nine-month periods ended September 30, 2023, and 2022. Additional information relating to the Company including our condensed consolidated interim financial statements is available on the Company's profile on SEDAR at www.sedar.com.

The Company's unaudited condensed consolidated interim financial statements, have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and included in the International Financial Reporting Standards ("IFRS"). IFRS includes IFRSs, International Accounting Standards, and interpretations issued by the IFRS Interpretations Committee.

All amounts herein are expressed in Canadian dollars unless otherwise indicated and all references to the third quarter of Fiscal 2023 are related to the three-month period ended September 30, 2023. References to Fiscal 2023 are to the fiscal year ending December 31, 2023, and to Fiscal 2022 are to the Fiscal year ended December 31, 2022.

Management determines whether information is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities of the Company would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, the expected operations and sales, financial results and condition of the Company, expectations regarding market trends, overall market growth rates and the Company's growth rates, the Company's future objectives and strategies to achieve those objectives, including, without limitation, organic growth and future acquisitions, expected timelines for achieving mass production capabilities, the ramp-up of its current facility and development of a second facility, expected deliveries, the ability to obtain sufficient financing, the ability to advance the Taiga Service Providers program in a measured manner, the ability to partner with charging network providers and tourism industry partners to install off-road charging stations and the associated manufacturing benefits in respect thereof, including increased capacity as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions.

This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", as well as the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes.

We draw your attention to the "Business Risks" section of this MD&A and note 2 of our condensed consolidated interim financial statements which indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern for the next twelve months involves significant judgment and is dependent on, among other things, its ability to obtain necessary financing, either through a combination of public or private equity or debt financing or other sources. On March 24, 2023, the Company successfully closed a private placement of $40.15 million aggregate principal amount of 10% secured convertible debentures due March 31, 2028. An option for additional convertible debenture with the same terms was exercised and resulted in an additional $6.63 million, totalling $46.78 million in capital raised through the private placement. The entirety of the debentures was subscribed for by two institutional investors, see "Highlights of the Three-Month Period ended September 30, 2023 - Update on Financing" in this MD&A for additional details. On September 29, 2023, the Company closed a $15 million Secured Term Loan Agreement with Export Development Canada ("EDC") see "Highlights of the Three-Month Period ended September 30, 2023 - Update on Financing" in this MD&A for additional details.

Management successfully raised the above mentioned $15 million for working capital purposes and is committed to secure additional sources of funds in order to achieve its business plan objectives. While the Company has been successful in securing financing in the past and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, raising additional funds is dependent on a number of factors outside the Company's control, as such there is no assurance that it will be able to do so in the future.

Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors: limited operating history, the ability of the Company to continue as a going concern which is dependent upon the identification and successful completion of equity, debt or any other type of financings, negative operating cash flow, delays in the inventory monetization, delays in the ramp-up or commissioning of our assembly and production facilities, development of the network of service and delivery providers, supply chain dependence and disruptions and the impact of such disruptions on our ability to fulfil orders, quality control concerns, regulatory compliance, obtaining certifications in a timely manner, public safety issues, warranty and product recalls, dilution due to the issuance of additional common shares, including pursuant to the $46.78 million aggregate principal amount of 10% secured convertible debentures due March 31, 2028 issued in connection with a private placement, damage to Taiga's reputation, freight and transportation disruptions, storage and delivery of parts and components, product liability, hiring and retention of key employees and qualified personnel, deterioration in relationships with employees, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, factors which may prevent realization of growth targets, competition, availability, quality and fluctuations in the price of raw materials, parts and components, inventory levels, environmental and employee health and safety regulations, online security breaches and disruption, errors or vulnerability in software and hardware, future capital requirements, operating risk and insurance coverage, management of growth, limited number of products, cancellation of pre-orders, litigation, retention of personal information, contractual covenants, tax liabilities, changes in general geo-political, market, industry and economic conditions and trends (including as a result of new COVID variants or military conflicts and the market reaction thereto), trade sanctions, unfavourable weather conditions, catastrophic events, risks associated with international operations, fluctuations in interest rates and foreign currency exchange rates, effectiveness of internal controls over financial reporting, being accused of infringing intellectual property rights of others and environmental risks. The foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. For a discussion of risk factors, please refer to the "Risk Factors" section of our annual information form filed on March 30, 2023 and available on the Company's profile on SEDAR at www.sedar.com (the "AIF").

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information, including that we will be able to secure required financing on commercially acceptable terms and in a timely manner, there will be no material deterioration of global and North American economic conditions, currencies in which we conduct business will remain at near current levels, inflation and interest rates will remain in line with central bank expectations in countries where the Company is doing business, our suppliers and internal resources will be able to support product development and planned production on commercially acceptable terms and in a timely manner, we will obtain regulatory approvals in a timely manner, there will be no significant changes in tax laws or free trade arrangements or treaties applicable to the Company, no trade barriers will be imposed amongst jurisdictions in which the Company carries operations, and the absence of unusually adverse weather conditions, especially in peak seasons.

All of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

COMPANY OVERVIEW

Taiga (TSX:TAIG) is focused on the production, research and development ("R&D"), design, marketing, and distribution of the world's first mass-production ready, all-electric powersports vehicles. Taiga's head office is located at 2695 Dollard Avenue, LaSalle, Québec, H8N 2J8. Its registered office is located at 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3.

Taiga is concentrated on its portfolio of innovatively designed, high-performance and sustainable electric off-road vehicles. Taiga's ground-up engineering approach has resulted in the introduction of its electric snowmobiles and personal watercrafts ("PWCs") supported by technology platforms, software optimized proprietary integrated powertrains, and intelligent off-road connectivity. Taiga's sixth generation proprietary integrated electric powertrain technology, currently used in Taiga's snowmobiles and PWCs, is a modular hardware and software platform that has been designed to simplify its production and assembly process and is expected to decrease development time for new electric vehicle models. Taiga is focused on continuously improving its technology to create refined and powerful solutions to serve an increasing global market demand for low-emission, quieter vehicles. As a result of Taiga's progress, Taiga was named winner in Fast Company's 2022 World Changing Ideas Awards, Taiga's Nomad™ snowmobile and Orca™ personal watercraft were both included in TIME's Best Inventions of 2022, and Taiga's Orca was awarded Popular Science 2022 Best of What's New. These awards have placed Taiga alongside a list of esteemed global companies leading innovations and other works supporting the growth of our society.

Taiga's Montreal headquarters contain its two leased facilities totalling more than 180,000 square feet. The combined facilities have an annual projected production capacity of at least 8,000 vehicles while also housing an R&D and testing center. The first facility consists of 50,000 square feet of dedicated space for research, developing, testing and other engineering activities, while the second facility is composed of 133,000 square feet of space that serves as offices as well as a production plant. On July 12, 2021, the Company announced that the federal and Quebec provincial governments together with the City of Shawinigan proposed to provide up to $50 million to be contributed towards the construction of a plant in Shawinigan and for other manufacturing equipment. As of September 30, 2023, the Company utilized $4 million of the $10 million repayable contribution from the Federal government and has not used any of the funds from the Quebec provincial government or from the City of Shawinigan. The $4 million represents 8% of the total $50 million government support announced in July 2021. The Company is currently developing its Montreal facility which, when completed, expects to have an annual capacity of at least 8,000 vehicles per year. Upon the optimization of the Montreal facility, the Company will re-evaluate the expansion timelines and expected project costs for its second facility to assemble at least 62,000 vehicles and 3 gigawatt-hours in battery packs and modules at full capacity.

Taiga aims to realize continuous improvements by leveraging an expected large volume of connected vehicles, a well-established customer base and significant data collection and expects to continue to innovate its product offering to meet the needs of powersports vehicle owners. In addition, as a pure play electric vehicle manufacturer, Taiga's lack of legacy combustion vehicle production ensures Taiga will remain fully focused on the enhancement of its current and future all-electric vehicles and powertrains.

Taiga's go-to-market approach is centered around sales to recreational customers of powersports vehicles through Taiga's hybrid direct sales efforts. The strategy also includes direct sales to fleet operators, supply of powertrain assemblies to original equipment manufacturers in adjacent markets (motorcycles, other off-road vehicles, agriculture and commercial vehicles, construction and heavy machinery, and lightweight aviation) in order to accelerate their electrification programs. Taiga offers sales of apparel and will offer aftermarket sales of parts, upgrades, and other accessories as well.

At September 30, 2023, the Company had 314 full time employees compared to 269 at the end of Fiscal 2022. Taiga's engineering function represents approximately 40% of its total employees, reinforcing Taiga's commitment to innovation.

Highlights of the Three-Month Period Ended September 30, 2023

Production and Delivery Update

Taiga completed deliveries of 147 vehicles, which consisted of 112 Orca personal watercrafts and 35 Nomad snowmobiles to customers in Canada and the United States during the third quarter ended September 30, 2023.

Taiga has made key improvements in ramping up its manufacturing capabilities and produced a total of 365 vehicles during the third quarter, largely comprising of the 2023 Orca Performance which was launched in August and has enabled the Company to materially increase its production efficiency. Despite initial hurdles in part availability affecting the initial weeks of the Orca Performance production, the Company achieved an important milestone, producing more than 50 vehicles per week during the quarter. In the first half of 2024, the Company intends to complete its production run of the Orca Carbon that experienced supply issue with a single supplier. Overall, the Company continues to realize productivity gains through the efforts made to optimize the factory layout and by introducing higher volume models such as the 2023 Nomad Snowmobile and the 2023 Orca Performance.

The Company expects to produce the Orca Performance until mid-November 2023 before switching over to the Nomad snowmobile for the 2023/2024 winter season.

Taiga Service Provider Update
As part of Taiga's hybrid direct-to-consumer sales model, Taiga initiated onboarding Taiga Service Providers ("TSP") to provide vehicle servicing and deliveries to customers during the third quarter of 2022. As at the end of the third quarter of 2023, Taiga had onboarded TSPs to serve its customers across 31 locations in Canada and the United States. Taiga continues to see healthy interest from TSP applicants, which now exceed 2,000 global potential TSP participants.

During the third quarter of 2023, Taiga marked it first deliveries in California, United States of America. Taiga vehicles are now available in the United States' three prominent boating and EV adoption hubs.

Update on Pre-Orders
As of September 30, 2023, Taiga has received 2,754 snowmobile and PWC pre-orders from recreational customers and fleet operators with limited marketing. Fleet operators account for approximately 20% of the pre-orders. As Taiga fulfills pre-orders, we expect the number of pre-orders to fluctuate seasonally. Additionally, pre-orders for Taiga vehicles are cancelable and the deposit fully refundable, and there can be no assurance that such pre-orders will be converted into sales.Taiga is aiming to maintain a pre-order level that is in line with its production and delivery plan.

Update on Financing
On September 29, 2023, Taiga closed a $15 million Secured Term Loan Agreement ("Term Loan") with EDC to provides Taiga with additional liquidity and flexibility in managing its working capital. The Term Loan bears interest on the drawn funds at the annual rate of the prevailing Canadian prime rate plus 5.00% and provides for multiple advances over a nine-month drawdown period, with the first draw being on October 4, 2023. The Term Loan matures on February 10, 2028.

Collectively, Taiga has now raised $61.8 million in 2023, including the aforementioned Term Loan and the convertible debentures issued by Taiga in March and April 2023.

Update on Toronto Stock Exchange De-Listing Review
Pursuant to the $46.78 million aggregate principal amount of 10% secured convertible debentures due March 31, 2028, issued in connection with a private placement, Taiga had to avail itself of an exemption under Toronto Stock Exchange ("TSX") for serious financial difficulties. As part of that exemption, Taiga was subject to a remedial delisting review by the TSX. The TSX completed its review and the Company was informed on July 18th, 2023, that it satisfies TSX's applicable requirements for continued listing and no other action was required.

Key Factors Affecting Taiga's Performance

Taiga believes its future success and performance will be dependent on a number of factors that represent significant opportunities for Taiga, but also present challenges and risks, including those discussed below and those referred to in the "Business Risks" section of this MD&A.

Customer Demand for Electrification
Electrification of powersports vehicles is an emerging segment of the powersports industry and Taiga believes that its key identified customer segments will be highly receptive to the option to utilize its high-performance and sustainable products. Taiga anticipates that its products will appeal to a growing number of powersports enthusiasts and fleet operators who will value cleaner, quieter operation, better anticipated access to trails and waterways and the opportunity to reduce their carbon footprint. However, there are several external factors that affect consumer demand and spending over which the Company has no influence. Any lack or decrease in consumer demand or changes in consumer shopping patterns may have a material adverse effect on the Company's financial condition and ability to continue as a going concern.

Production Risks
Taiga's business success depends in large part on its ability to economically produce, market and sell its vehicles at sufficient capacity to meet the demands of its customers. Taiga is looking to scale its production capacity in order to successfully implement its business strategy, and plans to do so in the future by, among other things, completing the ramp-up of its Montreal assembly facility and once optimized, the Company will determine the best path forward for its second facility to increase its mass-production assembly capacity. Risks include Taiga's ability to scale production of its vehicles, to develop efficient,

automated, low-cost production capabilities and processes, and to secure reliable sources of supply from suppliers and manufacturers, in each case that will enable it to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully mass market its vehicles and meet its business objectives and customer needs.

Supply Chain Disruptions
Geopolitical risks, armed conflicts, global health crises, global supply imbalances, strikes and protective behaviors by businesses and governments, such as hoarding and increased demand, can cause disruptions in global supply chains and therefore impact Taiga's ability to develop, produce, service and market powersports vehicles in a timely manner. Taiga's vehicles are manufactured from in-house developed components that require raw materials and with components sourced from global manufacturers, both of which are vulnerable to supply chain disruptions and could have adverse effect on the overall business, customer relations, financial condition, and results of the Company's operations.

Product Development
A significant proportion of Taiga's ability to attain its growth projections depends on the ongoing innovation of its existing product portfolio and the development of new applications for its proprietary electric powertrain technology. Taiga intends to make significant investments in R&D to continue the development and improvement of its existing products, services and solutions as well as introduce new all-electric off-road vehicles and applications to the market.

Competition
The markets for Taiga's powersports vehicles are highly competitive based on several factors, including innovation, performance, price, technology, product features, styling, fit and finish, brand recognition, quality and distribution. Management believes that Taiga's ability to compete successfully in these markets depends on its ability to capitalize on its competitive strengths, build brand recognition and establish a large network of TSPs.

Seasonality and Cyclicality
Snowmobiles and PWCs are seasonal products. These products are typically sold during opposing seasons, partially offsetting the seasonal impact on Taiga's future operations, revenues and resulting cash flow. However, being able to sell during the periods with high demand is key and can have a negative impact on sales if production is misaligned with the respective season.

The powersports industry is cyclical in nature, and Taiga's products will compete with a variety of other recreational products and activities for consumers' discretionary income and leisure time. Taiga's future operations and revenues will be sensitive to changes in overall economic conditions that impact consumer spending, and discretionary spending.

Economic Conditions
Fluctuations in economic conditions that result in high levels of inflation, unemployment in key markets, or market volatility, such as those experienced in connection with the COVID-19 pandemic or geopolitical conflicts, may negatively affect disposable consumer income such as personal income levels, the availability of consumer credit, employment levels, consumer confidence, business conditions, savings rates, interest rates, currency exchange rates, tax rates and tariffs. Such reductions to consumer income could materially adversely affect Taiga's business, results of operations or financial condition and ability to continue as a going concern.

Interest Rate Risk
Interest rate volatility can result in Taiga facing higher costs of capital and adverse asset valuations in addition to weaker consumer demand as mentioned under 'Economic Conditions' above.

Regulatory Matters and Industry Standards
Taiga is subject to extensive laws and regulations at many steps in its process of design, development, production, and distribution of products. In addition to the laws and regulations applicable to any business, there are certain requirements applicable to businesses involved with powersports vehicles such as Taiga. These regulations include standards for the safety of powersports vehicles and standards for the sale and marketing of powersports vehicles. Any change in the laws or regulations applicable to the Company's business that is adverse to the Company and its business could affect the Company's operating and financial condition.

RESULTS OF OPERATIONS: THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

The following table sets forth the components of the Company's condensed consolidated interim statement of loss and comprehensive loss. For more information on the basis of presentation please refer to note 3 of the Company's condensed consolidated interim statement of loss and comprehensive loss.

Change analysis for the three and nine-month periods ended September 30, 2023 compared to the three and nine-month periods ended September 30, 2022

	Three-month			Nine-month		
For the periods ended	**30-Sep-23** $	**30-Sep-22** $	**Change** %	**30-Sep-23** $	**30-Sep-22** $	**Change** %
Revenue	4,206,544	1,308,386	222%	10,026,863	1,849,372	442%
Cost of Sales	12,107,470	5,713,811	112%	27,408,035	12,082,459	127%
Gross loss	**(7,900,926)**	**(4,405,425)**	**79%**	**(17,381,172)**	**(10,233,087)**	**70%**
Expenses						
Research and development (net of tax credits)	4,093,522	4,400,766	(7%)	12,310,774	7,431,417	66%
General and administration	4,718,206	5,501,516	(14%)	14,708,450	14,861,886	(1%)
Sales and marketing	1,842,022	1,267,890	45%	4,114,142	3,338,858	23%
Loss before other expenses	**18,554,676**	**15,575,597**	**19%**	**48,514,538**	**35,865,248**	**35%**
Other expenses (income)						
Government grants	-	(40,761)	(100%)	-	(65,761)	(100%)
Net financial expenses	1,632,764	12,209	13,273%	3,328,451	(109,419)	(3,142%)
Loss before tax	**(20,187,440)**	**(15,547,045)**	**30%**	**(51,842,989)**	**(35,690,068)**	**45%**
Deferred income tax recovery	-	-	0%	1,534,010	-	0%
Net loss for the period	**(20,187,440)**	**(15,547,045)**	**30%**	**(50,308,979)**	**(35,690,068)**	**41%**
Basic and diluted loss per common share	(0.63)	(0.49)	29%	(1.58)	(1.13)	40%

Revenue

Revenue increased $2,898,158 (222%), from $1,308,386 for the three-month period ended September 30, 2023. Taiga sold 147 vehicles during that three-month period compared to 40 for the same period of Fiscal 2022. For the nine-month period, Revenue increased by 442% or $8,177,491 to $10,026,863 as Taiga sold 350 vehicles compared to 68 for 2022. The lower average selling price in 2023 compared to 2022 is explained by a different product mix with higher ticket items being sold in 2022.

Gross Loss

Taiga built and sold more vehicles during the third quarter and the first nine months of 2023 than in 2022 hence incurring higher gross loss of $3,495,501 (79%). As production continues to ramp up, Taiga expects the cost of materials to reduce overtime on a per unit basis and improved overhead costs absorption as these costs are not expected to increase proportionally to the increase in volume.

Research and Development (net of tax credits)

Research and development ("R&D") expenses decreased by $307,244 (7%), from $4,400,766 for the three-month period ended September 30, 2023. The decrease is essentially due to lower professional fees. For the nine-month period, R&D expenses increased by 66% or $4,879,357 to $12,310,774 due to the decreased capitalization of development expenses after June 30, 2022, as Taiga started to focus on continuous improvements as well as program planning for the following seasons which management assessed as non-capitalizable activities.

General and Administration

General and administration ("G&A") expenses decreased by $783,310 (14%), from $5,501,516 for the three-month period ended September 30, 2023. This decrease is due to lower insurance costs as well as a decrease in professional fees. For the nine-month period, G&A expenses decreased by (1%) or $153,436 to $14,708,450 for the same reasons while being offset earlier in the year by a slightly higher headcount.

Sales and Marketing

Sales and Marketing ("S&M") expenses increased $574,132 (45%), from $1,267,890 for the three-month period ended September 30, 2023. This increase is due to increased wages and salaries expenses as well as increase media and advertising spend related to the Orca Performance launch. For the nine-month period, S&M expenses increased by 23% or $775,284 to $4,114,142 for the same reasons.

Government Grants

Government grants decreased by $40,761 (100%) during the nine-month period ended September 30, 2023. Taiga had received a grant last year regarding the production ramp-up.

Net Financial Expenses (Income)

Net financials expenses increased by $1,620,555 (13,273%), from income of $12,209 for the three-month period ended September 30, 2023. The increase is due primarily to the interest expense from the convertible bond issued. For the nine-month period, Net financial expenses increased by (3,142%) or $3,437,870 to $3,328,451 for the same reasons.

Deferred Income Tax Recovery

As part of the convertible bond issuance, Taiga had to record the impact of deferred income tax against the equity portion of the convertible bond. The offset of that transaction resulted in a deferred income tax recovery in the quarter.

FINANCIAL POSITION

Basis of Presentation – Going Concern

These condensed consolidated interim financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the three and nine-month periods ended September 30, 2023, the Company generated a net loss of $20,187,440 and $50,308,979 respectively (September 30, 2022 - $15,547,045 and $35,690,068, respectively). For the nine-month period ended September 30, 2023, the Company also had negative cash flows from operating activities of $50,876,672 (nine-month period ended September 30, 2022 – $41,338,933) and a working capital (current assets less current liabilities) of $29,881,637 (December 31, 2022 - $37,144,375). As at September 30, 2023, the Company has an accumulated deficit of $326,311,195 (December 31, 2022 - $276,002,216). Given the Company's stage of development and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of public and/or private equity and/or debt financings or other sources in order to meet its business plan. Accordingly, over the next twelve months, the Company will require additional financing in order to complete its business plan and meet future obligations subsequent to September 30, 2023. The Company completed a convertible debentures financing in March and April 2023 (see Note 14), entered into a term loan on September 29, 2023 (see Note 14) and is pursuing various other financing options. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations as intended, therefore, are dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or obtain the necessary financing sufficient to meet current and future obligations, as well as the continued financial support of stakeholders.

The following table provides the main variances in the Company's condensed consolidated interim statements of financial position:

As at	30-Sep-23 $	31-Dec-22 $	Variance $	Variance explanation
Cash and cash equivalents	5,806,956	22,838,362	(17,031,406)	Net decrease due to cash used in operations, including purchase of inventory and operating expenses, offset by the Private Placement of convertible bonds
Receivables	7,678,361	5,653,650	2,024,711	Increase mainly due to sales tax receivable on the increased volume of purchases related to production
Inventory	32,021,832	20,755,541	11,266,291	Increase due to inventory buildup for Orca performance production as well as higher level of finish goods due to increased production levels
Prepaid expenses and deposits	6,220,260	6,526,619	(306,359)	Prepaid insurance and supplier deposits for production inventory and tooling
Property and equipment	20,310,594	14,719,645	5,590,949	Increase due to tooling and equipment purchases related to Orca performance start of production
Intangibles	11,791,630	13,746,342	(1,954,712)	Continued amortization of development costs
Right-of-use assets	9,198,524	10,074,558	(876,034)	Continued amortization of existing leases
Trade payables and accrued liabilities	16,111,076	11,654,469	4,456,607	Increase in line with higher level of purchases for Orca performance production
Share-based compensation liability	265,056	444,084	(179,028)	Payments made to exiting directors
Customer deposits	1,489,322	1,992,191	(502,869)	Decrease in the number of pre-orders from 3,222 as at December 31, 2022 to 2,754 as at September 30, 2023
Deferred revenue	74,731	-	74,731	Payments received from customers for their upcoming deliveries
Current portion of lease liabilities	931,472	851,057	80,415	Current portion of liability for existing leases
Current portion of loans and borrowings	6,440	80,325	(73,885)	Current portion of liability for existing loans and borrowings
Provisions	1,569,576	1,100,614	468,962	Provision for warranty of the new sales during the quarter
Lease liabilities	9,045,623	9,752,947	(707,324)	Long term liability for existing leases
Loans and borrowings	41,850,758	2,190,390	39,660,368	Issuance of convertible bonds
Share capital	323,937,503	323,937,503	-	No variance
Contributed surplus	24,057,795	18,313,353	5,744,442	Issuance of convertibles bonds and effect of share based compensation

LIQUIDITY AND CAPITAL RESOURCES

This section examines the Company's capital structure, sources of liquidity and various financial instruments, including its debt instruments.

Capital Structure

As at	September 30, 2023 $	December 31, 2022 $
Cash and cash equivalents	5,806,956	22,838,362
Loans and borrowings (short and long term)	41,924,562	2,260,443
Total debt	41,924,562	2,260,443
Total shareholders' equity	21,684,103	66,248,640

Capital Management

The Company’s objective and policies for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes changes based on economic conditions, risks that impact the operations and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may eventually issue new equity instruments or raise additional debt financing.

Capital deployment in 2023 is mostly focused on tooling, moulds and manufacturing equipment. The investment in tooling and moulds will allow us to significantly lower our parts costs in the coming quarters. This will allow Taiga to scale its production to meet anticipated demand.

In September 2023, the Company secured a $15 million Term Loan with EDC to provides Taiga with additional liquidity and flexibility in managing its working capital. The Company is committed to secure additional sources of funds in order to meet its business plan objectives. Taiga cannot be certain that additional funds would be available to it on favorable terms when required, or at all. See “Basis of presentation – Going concern” and “Risks relating to the ability to the ability to continue as a going concern”.

In March 2022, the Company finalized a $30 million loan agreement for equipment with Investissement Québec, a government entity, under the ESSOR Program. For further details, please refer to the “Material contracts” section of our AIF and to the loan agreement, both filed on the Company’s SEDAR profile at www.sedar.com on March 30, 2023. Taiga also secured an additional $10 million of funding on November 1, 2022 from another governmental entity, see the “Update on Financing” section of this MD&A and note 24 of the audited consolidated financial statements for more details. To date, Taiga has not used any of the $30 million from IQ and received $4 million of the $10 million repayable contribution. The Company currently does not anticipate accessing additional funds from the aforementioned facilities unless it progresses its Shawinigan production project.

During March and April 2023, the Company successfully closed a private placement of $46.78 million aggregate principal amount of 10% secured convertible debentures due March 31, 2028.

On September 29, 2023, the Company entered into a term loan agreement (the "Term Loan") with EDC. The Term Loan with a principal amount of $15 million bears interest on the drawn funds at the annual rate of the prevailing Canadian prime rate plus 5.00%, and amounts can be drawn down through advances over a nine-month drawdown period. The Term Loan matures and is repayable on February 10, 2028. At September 30, 2023, no amounts were drawn under this facility. In October, the Company made a first draw down under this agreement. See “Highlights of the Three-Month Period ended September 2023 – Update on Financing” in this MD&A for additional details.

Cash Flows

A summary of net cash flows by activity for the three and nine-month periods ended September 30, 2023 and 2022 is presented below:

For the nine-month periods ended	September 30, 2023 $	September 30, 2022 $
Net cash used in operating activities	(50,876,672)	(41,338,933)
Net cash used in investing activities	(7,192,718)	(13,295,737)
Net cash provided (used) by financing activities	41,037,984	(891,020)
Net decrease in cash in the period	(17,031,406)	(55,525,690)
Cash – beginning of the period	22,838,362	86,724,126
Cash – end of the period	5,806,956	31,198,436

Cash flow used in operating activities

For the nine-month period ended September 30, 2023, operating activities used cash flow of $50,876,672 compared to $41,338,933 for the same period last year. The increase in 2023 is due principally to funds used for production, including increased working capital, higher headcount as well as increased inventory and prepaids and the loss on sales related to production.

Cash flow used in investing activities

For the nine-month period ended September 30, 2023, investing activities used cash flow of $7,192,718 compared to $13,295,737 for the same period last year. The decrease in 2023 is mainly due to engineering wages and prototypes being capitalized in intangible assets in 2022 but expensed during 2023.

Cash flow provided by financing activities

For the nine-month period ended September 30, 2023, financing activities generated cash flow of $41,037,984 compared to $891,020 used for the same period last year. The increase in 2023 is mainly due to the issuance of the convertible debentures.

SELECTED QUARTERLY INFORMATION

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
	$	$	$	$	$	$	$	$
Revenue	**4,206,544**	4,090,877	1,729,442	1,362,728	1,308,386	399,525	141,461	-
Gross loss	**(7,900,926)**	(5,425,905)	(4,054,341)	(15,706,326)	(4,405,425)	(3,805,565)	(2,022,097)	-
Net loss	**(20,187,440)**	**(17,356,536)**	**(12,987,026)**	**(23,825,860)**	**(15,547,045)**	**(11,019,640)**	**(9,123,383)**	**(11,622,753)**
Basic and diluted loss per share	(0.63)	(0.54)	(0.41)	(0.75)	(0.49)	(0.35)	(0.29)	(0.50)

Factors affecting variability of quarterly results

Taiga delivered 147 units during the third quarter of 2023. The higher Gross loss is explained in part by an additional $2,096,116 provision to write-down inventories to Net Realisable Value as well as accelerated depreciation on some tooling and higher warranty expenses.

The second quarter of 2023 saw deliveries of 145 units compared to 59 and 36 for the first quarter of 2023 and fourth quarter of 2022 respectively. The production volume production and the product mix within those quarters also had an impact on the gross margin loss.

Fiscal 2022 was the first period with sales, thus revenue and gross loss are only shown starting then. Taking into account the future levels of production, Taiga expects the overhead costs to be allocated over a larger number of units while not increasing proportionally thus driving up the gross margin. The gross and net loss of Q4 2022 includes an inventory write-down of $7,640,994 related to the net realisable value revaluation. The decrease in capitalization of R&D expenses to development costs in the third quarter of 2022 resulted in an increase of the net loss.

The results for Q2 2021 include the cost of $50,359,021 from the private placement completed concurrently with the reverse acquisition of Canaccord Genuity Growth II Corp. ("CGGZ") following the Company's business combination and plan of reorganization ("Business Combination") with CGGZ on April 21, 2021, which explains this exceptional variation. Q1 2021 included $1,891,249 of expenses for the Business Combination as well as $24,409,664 of fair-value revaluation for warrants liability and preferred shares prior to the Business Combination.

FINANCIAL RISK MANAGEMENT

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing debt instruments at September 30, 2023 have fixed interest rates and are not subject to interest rate cash flow risk. The Company has the secured EDC term loan bearing interest at a variable rate as disclosed in the "Highlights of the Three-Month Period ended September 2023 – Update on Financing" section in this MD&A.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts by using maturity dates of existing financial liabilities and commitments in order to ensure it has sufficient funds to fulfill its obligations. We believe that the Company's cash and cash equivalents on hand together with $46.78 million private placement closed in March and April and the EDC loan closed on September 29 (see "Highlights of the Three-Month Period ended September 2023 - *Update on Financing*" in this MD&A for additional details) will provide adequate sources of funds to meet short-term requirements, finance planned 2023 capital expenditures and fund any operating losses. Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review its needs to seek financing opportunities in accordance to its capital risk management strategy. See "Basis of presentation - Going concern" and "Risks relating to the ability to continue as a going concern".

The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

	Total carrying amount $	Contractual cash flows $	Less than 1 year $	1 to 5 years $	More than 5 years $
Trade payables and accrued liabilities	16,111,076	16,111,076	16,111,076	-	-
Share-based compensation liability	265,056	265,056	265,056	-	-
Customer deposits	1,489,322	1,489,322	1,489,322	-	-
Lease liabilities	9,977,095	13,290,710	1,684,955	7,022,070	4,583,685
Loans and borrowings	41,857,198	80,779,657	6,757	77,534,804	3,238,095
Total	**69,699,747**	**111,935,821**	**19,557,166**	**84,556,874**	**7,821,780**

Credit Risk

Credit risk is the risk of a loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses.

The Company's exposure to credit risk currently relates primarily to cash, which it manages by dealing only with highly rated Canadian financial institutions. The Company invests its excess cash with varying terms to maturity selected with regard to the expected timing of investments or expenditures for continuing operations. As at September 30, 2023, the Company believes it was not exposed to any significant credit risk. The Company also had some accounts receivable from government entities and fleet operators. The Company's maximum credit exposure corresponded to the carrying amount of these financial assets.

Foreign Currency Risk

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains financial instruments and enters into transactions denominated in foreign currencies, principally in U.S. dollars, which expose the Company to fluctuating balances and cash flows due to variation in foreign exchange rates. The current exposure to foreign currency risk remains very limited.

Refer to note 19 of the condensed consolidated interim financial statements for additional information.

BUSINESS RISKS

Risks relating to the ability to continue as a going concern

As discussed in the Financial Position section of this MD&A and note 2 of the Company's condensed consolidated interim financial statements for the three-month period ended September 30 2023, there are conditions that indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business. The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company remains confident of reaching profitability under its strategic plan. However, assurances cannot be given that adequate financing can be obtained to meet the Company's capital requirements. The Company's continuation as a going concern for the next twelve months involves significant judgment and is dependent on, among other things, the Company ability to reduce its operating losses, obtain necessary financing on acceptable terms, through debt financings or other sources or a combination thereof. If the Company cannot continue as a viable entity, shareholders may lose some or all of their investment.

For a discussion of the other business risk factors, please refer to the "Risk Factors" section of our AIF.

OFF-BALANCE SHEET ARRANGEMENTS

During the periods presented, Taiga did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents, receivables, trade and accrued liabilities, customer deposits and loans and borrowings.

INVESTMENT POLICY

The Company invests its excess cash with varying terms to maturity selected with regard to the expected timing of investments or expenditures for continuing operations.

OUTSTANDING SHARE DATA

As at:	November 10, 2023	September 30, 2023	December 31, 2022
Common shares outstanding	31,825,712	31,825,712	31,825,712
Share purchase warrants outstanding	1,794,354	1,794,354	1,794,354
Stock options outstanding	2,657,358	2,765,399	2,162,831
Stock options exercisable	1,124,461	1,023,462	716,654
Common shares contingently issuable on conversion of convertible debentures	15,136,239	15,136,239	-

SEGMENT REPORTING

The Company operates in one operating segment. For the purpose of segment reporting, the Company's Chief Executive Officer ("CEO") is the Chief Operating Decision Maker. The determination of the Company's operating segment is based on its organization structure and how the information is reported to CEO on a regular basis. All the Company's significant assets are located in Canada.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Company's audited financial statements for the year ended December 31, 2022 except for the following one:

Convertible debentures

The fair value of the convertible debentures, at inception, is estimated using Level 3 inputs by estimating a discount rate that would apply to debt instruments with similar terms without conversion options. Management exercised judgment when selecting a comparable set of debt instruments and assuming applicable risk profile of the Company.

NEW ACCOUNTING POLICY

Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets	Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in net loss as incurred. Amortization is recognized in the Statement of Loss and Comprehensive Loss on a straight-line basis over the estimated useful lives of the finite life of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Period
Software	5 years

Financial instruments

Compound financial instruments

Compound financial instruments issued by the Company include convertible notes. Unless the Company elects to designate the entire instrument at fair value through profit or loss ("FVTPL"), compound financial instruments are separated into liability and equity components based on the terms of the contract. On issuance of the instrument, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. The proceeds are allocated to the liability component first and the remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The liability component (net of transaction costs) is subsequently measured at amortized cost using effective interest rate method until it is extinguished on conversion or redemption. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized. Transactions costs related to the issuance of compound financial instrument designated at FVTPL are expensed as incurred.

The Company determines whether a financial instrument requires a designation to be valued at FVTPL on a case-by-case basis.

USE OF PROCEEDS FROM CONVERTIBLE DEBENTURES

During March and April 2023, Taiga raised, by way of private placement $46.78 million (see Update on Financing) for a net proceed of approximately $42.58 million after payment of transaction-related fees and expenses.

	Actual use of proceeds	Estimated future use of proceeds	Revised future Estimated use of proceeds	Variance
	$	$		$
CAPEX Production ramp-up	6,780,516	16,000,000	10,800,000	4,019,484
Near-term obligation, working capital and general corporate	29,995,292	26,582,764	31,782,764	1,787,472
Remaining as at September 30, 2023	5,806,956	n/a	n/a	5,806,956
Total net proceeds	42,582,764	42,582,764	42,582,764	-
Convertible bonds issuance costs	4,192,736	4,192,736	4,192,736	-
Gross proceeds	46,775,500	46,775,500	46,775,500	-

As referenced in the table above, the variance in the Company's actual use of proceeds compared to the estimated total use of proceeds and its revised use of proceeds can be explained as follows: (i) The Company used and intends to use the net proceeds from the private placement first, to pay its and its subsidiaries' current, near-term and future obligations incurred and to be incurred in the ordinary course for the remainder of 2023 as well as all transaction-related fees and expenses, (ii) to fund already contracted and/or budgeted expenditures in execution of the Company's existing business plan, including those associated with the production ramp-up of its all-electric, powersports vehicles, consisting of expenditures related to the development of additional manufacturing capacity and mainly for the procurement of tooling and molds and, finally, the remainder will be used for working capital purposes in the ordinary course of business. The Company invested a higher amount than initially anticipated in working capital due to slower Orca Performance ramp-up and out of season sales. The Company expects to be able to recuperate part of this amount as sales of finished goods catch up and inventory levels go back to normal.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian securities' regulatory authorities.

DC&P are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and include controls and procedures designed to ensure that information required to be disclosed in such filings and reports is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

ICFR is a process designed by, or under the supervision of, the CEO and CFO, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with the applicable accounting principles used to prepare its financial statements, being IFRS. As permitted by NI 52-109, the Company's ICFR has been designed based on the *2013 Internal Control – Integrated Framework* published by The Committee of Sponsoring Organizations of the Treadway Commission, known as the COSO Framework.

Regardless of how well DC&P and ICFR are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting their required objectives. These inherent limitations include, but are not limited to, human error and circumvention of controls and, as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraudulent activities.

As a result of its TSX-listing in February 2021 and completing its "qualifying transaction" in April 2021, the Company has taken and continues to take a number of actions to strengthen and improve its DC&P and ICFR. The Company has experienced significant and rapid change during 2021 and 2022 as a result of its growth plan. Notably, during the third quarter of 2021, the Company implemented a new Enterprise Resource Planning ("ERP") system to standardize and automate the Company's business processes and controls thereby changing significantly its internal controls over processes and financial reporting. The Company has implemented and continues to implement measures designed to strengthen and improve its control environment and remediate the control deficiencies that led to the material weaknesses in the Company's ICFR identified as of December 31, 2021, and those that continue to exist as of December 31, 2022, which are discussed below. Management, with the oversight of the Audit Committee, has recruited a Manager, Financial Compliance & Governance to oversee the Company's ICFR and compliance with NI 52-109, develop the Company's governance functions such as Internal Audit and Risk Management, liaise with the Company's external auditors and consultants and enhance the Company's business processes. The Manager, Financial Compliance & Governance has also used outside resources to assist with the testing and evaluation of the Company's ICFR**.**

Disclosure Controls and Procedures

The CEO and the CFO are responsible to design Company's DC&P in order to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. During the design, the CEO and the CFO considered, among other things:

- the material weaknesses in the Company's ICFR that have been identified and are discussed below under "Internal Control Over Financial Reporting";
- the actions which the Company has identified, implemented or begun to implement to address these material weaknesses and to strengthen and improve the Company's internal controls as discussed below under "Management's Remediation Plan"; and
- the results of the evaluation carried out by the Company of the design and operating effectiveness of its DC&P and ICFR throughout the periods covered by the Company's 2022 annual and 2023 interim filings.

The Company's management, including the CEO and CFO, further believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only a reasonable and not absolute assurance that the objectives of the control system are met.

The CEO and the CFO have concluded that the Company's DC&P, as at September 30, 2023, were not effective to provide reasonable assurance that (i) all material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the Company's annual filings under securities legislation are being prepared, and (ii) all information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control Over Financial Reporting

The CEO and the CFO are responsible to establish and maintain the Company's ICFR. As used herein, the term "material weakness" has the meaning given to it in NI 52-109 and means a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial reporting will not be prevented or detected on a timely basis.

In carrying out their evaluation, the CEO and the CFO have identified the following material weaknesses relating to the design and operating effectiveness of the Company's ICFR:

- *Inventory Management and Control:* During 2022, the Company implemented measures to better control its inventories, including more comprehensive segregation of duties, physical and cycle counts, and the review of inventory transactions. However, control weaknesses are still being observed and detected over the inventory management process. More specifically, some controls remain ineffective in the areas of ordering and receiving of inventories, movement of inventories, classification that can in turn have an impact on valuation of inventories and maintaining accurate and reliable inventory records. In management's view, there is a reasonable possibility that these control deficiencies could result in material misstatements in amounts reported for some of the Company's inventories. It should be noted, however, that currents controls were tested, and action plans are being implemented.

- *Order to cash:* As the Company scales up sales to thousands of units, it needs a robust and seamless process to accept and record payments. In order to achieve that, improvements have been made in certain areas such as identifying sales and marketing projects for the 2023 budget. Additional steps are or will be implemented in the coming months to allow more efficient and robust processes at each step of the order to cash process, launching an installment process, subscribing to account collection service, finding solutions for the easy application of USD payments, have a CRM system linked to the ERP, and having adequate reports to manage the process more effectively.

- *Complex Spreadsheet Controls:* Spreadsheets are inherently prone to computational and consistency errors because of their manual nature. During 2022, in addition to actively working to limit the use of complex spreadsheets and instead rely on the use of ERP modules, the Company implemented monthly review procedures for certain complex spreadsheets, to address identified risks associated with manual data entry, completeness of data entry and the accuracy of mathematical formulas, impacting complex spreadsheets used in the calculation of the fair value of instruments. However, in management's view, there remains a reasonable possibility that such review procedures will not identify all computational or consistency errors and that reliance on such complex spreadsheets could result in a material misstatement in amounts reported by the Company for the fair value of instruments.

- *Information Technology General Controls ("ITGCs"):* Part of the control deficiencies that were previously identified in the design and maintenance of programs over certain ITGCs in the areas of access security, both internal and external, and job processing for certain information technology systems that support the Company's financial reporting processes. As a result of these deficiencies, the related process-level manual and automated application controls that rely on information generated from the affected information technology systems were also deemed ineffective because of the reasonable possibility that they could have been adversely impacted.

In light of these material weaknesses, the CEO and the CFO have concluded that the Company's ICFR, as of September 30, 2023, was not effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

Despite the conclusions of the evaluations of the Company's DC&P and ICFR discussed above, the CEO and the CFO believe, based on their knowledge and having exercised reasonable diligence, that (i) the Company's interim filings for the three-month period ended September 30, 2023 do not contain any untrue statement of a material fact or omit to state any material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made for the period covered by the Company's interim filings, and (ii) the interim financial statements together with the other financial information included in the Company's interim filings for the three-month period ended September 30, 2023 fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in such interim filings.

Management's Remediation Plans

During the financial year ended December 31, 2022 and in the interim period ended September 30, 2023, the Company made progress in developing and implementing internal controls through a remediation plan to address the material weaknesses in the Company's ICFR that existed as of December 31, 2021. Management, with the oversight of the Audit Committee and the Manager, Financial Compliance & Governance, has also been working with a leading internal controls advisory firm to design, document, implement and review internal controls necessary to eliminate the remaining material weaknesses and strengthen and improve the Company's ICFR, as follows:

By recruiting, hiring and training a sufficient number of qualified personnel with the appropriate skills and knowledge. This includes the Manager, Financial Compliance & Governance hired in August 2022 to oversee the Company's ICFR and compliance with NI 52-109, develop the Company's governance functions such as Internal Audit and Risk Management, liaise with external auditors and consultants, and to enhance the Company's business processes. By continuing to enhance the

Company’s organizational structure, systems, governance, policies, procedures, and process documentation that management, the Board of Directors and Audit Committee have approved and communicated within the Company to ensure proper oversight and governance of the Company’s external financial reporting process. This includes a formal Delegation of Authority (DOA), along with Finance, Human Resources and Payroll, Inventory Management, Quality Control, and Procurement policies, procedures and processes. Further, a formal Disclosure Committee is in the process of being created with an objective to align management on all important disclosure matters and to support compliance with applicable disclosure requirements, including NI 52-109.

- By designing and implementing a corporate risk profile and a risk assessment process to identify and evaluate the importance of risks, including the risk of material misstatement of the financial statements. Further to this, a corporate “heat map” with risk responses and mitigation plans was generated based on the Company’s top risks, updated in July 2023, and presented to the Audit Committee during the third quarter of 2023.

- By continuing to enhance the Company’s existing controls and to implement additional process-level control activities, including controls over the inventories and other financial reporting processes, and ensure they are properly evidenced and operating effectively, namely the implementation of the cycle count policies and procedures, better use of the ERP to record inventory transactions (ex. the scanning & uploading of the bill of lading into the ERP), the integration of the manufacturing system with the ERP, and a new Director of Logistics who is now overseeing the inventory management process.

- By developing and implementing a project plan to conduct an internal audit for the following processes: payroll, human resources management, inventory control, ITGC, procurement, sales and revenue recognition, financial reporting, fixed & intangible assets control, and entity level controls. The objective is to comply with the NI 52-109 regulation, to identify internal control weaknesses and to implement action plans to rectify the weaknesses identified.

- By hiring qualified resources, such as a senior ERP business analyst in the IT team to assist with the design and maintenance of controls and programs, including appropriate policies and procedures that strengthen system, network and information security, and respect segregation of duties principles.

- By continuing to limit the use of complex spreadsheets and instead rely on the use of ERP modules. Where complex spreadsheets continue to be used, such as for the calculation of the fair value of instruments and the net realizable value of inventory, designing and implementing additional controls to address previously identified risks associated with manual data entry, completeness of data entry, and the accuracy of mathematical formulas.

- By implementing effective user access controls for certain information technology systems to adequately restrict user access to financial applications and related data commensurate with job responsibilities and performing user access reviews in order to eliminate incompatible duties that allowed for the creation, review and processing of certain financial data without independent review and authorization. In addition, the Company will be conducting additional full cybersecurity posture review’ in 2023, which will provide a clear picture of security gaps as well as a guide and timeline to get those gaps addressed.

- By assessing the design and testing the operating effectiveness of NI 52-109 internal controls with more batches and in depth-testing being planned and performed throughout 2023, and by discussing the results with control owners in order to implement action plans to improve weaknesses identified.

Although the Company can give no assurance that these actions alone will remediate the material weaknesses that have been identified in its internal controls or that additional material weaknesses in the Company’s ICFR will not be identified in the future, management believes the foregoing efforts will, when fully implemented, strengthen and improve its ICFR and DC&P and effectively remediate the identified material weaknesses.

Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Company’s ICFR environment.

Changes in Internal Control Over Financial Reporting

As discussed above, during the financial year ended December 31, 2022 and in the first three quarters of 2023, the Company developed and commenced implementation of a remediation plan to address the material weaknesses in the Company’s ICFR that were identified as of December 31, 2021. As a consequence, many changes in the Company’s ICFR have occurred during the year ended December 31, 2022 and in the first three quarters of 2023, notably as it relates to areas in which material weaknesses were identified and disclosed in the Company’s Management’s Discussion and Analysis for the financial year ended December 31, 2021, which material weaknesses, except for those described above under "Internal Control Over Financial Reporting", have been addressed and are no longer considered material weaknesses by management. These changes consisted of the following:

- *Control environment:* As mentioned above, the Company improved its organizational structure by hiring senior financial resources tasked with implementing formal policies, procedures and effective internal controls, in addition to focussing on business process engineering, documentation and accountability. Due to the Company scaling up its business and operations at a very rapid rate, combined with the building of its finance team and simultaneous implementation of new modules and improvement of existing ones in its ERP system, including the design of new processes and workflows, management has yet to be able to rely on a more complete set of preventive internal controls, although such controls are being gradually deployed. In parallel, as a compensating control, the Company has been relying on a high degree of management oversight and detective controls to reduce financial reporting risks to an acceptable level during the fiscal quarter ended December 31, 2022 and in the first three quarters of 2023.

- *Control activities:* During 2022, the Company deployed resources to design and implement control activities relating to: (i) selecting and developing control activities that contribute to the mitigation of risks to acceptable levels, (ii) selecting and developing general controls over information technology, and (iii) deploying control activities through comprehensive written policies that establish what is expected and procedures that put such policies into action.

    - *ITGCs:* As mentioned above, the Company implemented an ERP system in the third quarter of 2021. Control deficiencies had previously been identified in the design and maintenance of programs over certain ITGCs in the areas of access security, and job processing for certain information technology systems that support the Company's financial reporting processes. To commence addressing these weaknesses, qualified resources, such as ERP business analysts were added to the IT team helping in the design and maintenance of controls and programs that strengthen system, network and information security, and respect segregation of duties principles.
    - *Policies and procedures:* During the fourth quarter of 2022, several policies, procedures and process flowcharts were developed, approved, communicated and implemented to support a preventive control environment and provide formal and documented guidelines to performance of key activities.
    - *Complex spreadsheet controls:* As mentioned above, the Company has actively worked to limit the use of complex spreadsheets and instead rely on the use of ERP modules. In addition, the Company implemented monthly review procedures for certain complex spreadsheets, to address identified risks associated with manual data entry, completeness of data entry and the accuracy of mathematical formulas, impacting complex spreadsheets used in the calculation of the fair value of instruments.
    - *Inventory management and control:* As mentioned above, the Company implemented certain measures to better control its inventories, including more comprehensive segregation of duties, physical and cycle counts and the review of inventory transactions that occurred during the 2022 fiscal year.

- *Segregation of duties:* As part of the implementation of the ERP system in the third quarter of 2021, and in order to be able to continue the Company's normal course of business, users were initially granted wider access to functionalities than their particular roles and responsibilities would normally require. In 2022, management implemented user access controls to restrict user access to financial applications and related data commensurate with job responsibilities and performed user access reviews in order to eliminate incompatible duties that allowed for the creation, review and processing of certain financial data without independent review and authorization.

    - During the fourth fiscal quarter of 2022, the Company implemented an appropriate segregation of duties and controls over the preparation, review and approval, and associated documentation, of journal entries. Manual journal entries are now being reviewed and approved by an appropriate and authorized member of Corporate Accounting before being posted.

Except for the changes in connection with the implementation of the Company's remediation plans as discussed above, there were no changes in the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTLOOK

In 2022, Taiga invested in its supply chain, manufacturing capabilities and inventory in order to de-risk certain key components and also revised its snowmobile and personal watercraft platforms for improved production efficiency. As a result, the Company initially expected production to ramp up throughout the year and deliver 1,700-1,900 vehicles in 2023. While the Company was able to reach targeted throughput with its 2023 Nomad snowmobile and 2023 Orca Performance, the Company faced a slower than expected ramp up on its Orca Carbon and Orca Performance models largely due to parts availability. As a result of the delayed ramp up, the Company now expects to produce approximately 1,000 vehicles in 2023.

Taiga has financed its operations, including R&D, primarily through the issuance of convertible notes and common shares, as well as government grants and loans. Taiga expects to generate more substantial revenue from the sales of electric off-road vehicles to recreational customers and sales to fleet operators such as ski resorts and tour operators, commercial fleet operators in the energy, resource and transportation industries, and governmental parks, natural resource management agencies and other governmental organizations.

In March and April, 2023, the Company raised $46.8 million through a private placement of 10% secured convertible debentures due March 31, 2028. On September 29, 2023, Taiga closed a $15 million term loan agreement with Export Development Canada for working capital purposes. The Company is committed to secure additional sources of funds in order to meet its business plan objectives.

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