TAIGA MOTORS CORPORATION

Interim Condensed Consolidated Financial Statements
(Expressed in Canadian Dollars, unless otherwise noted)

For the three and nine-month periods ended
September 30, 2023 and 2022 (Unaudited)

Taiga Motors Corporation
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

As at	Notes		September 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents		$	5,806,956	$	22,838,362
Receivables			7,678,361		5,653,650
Inventories	7		32,021,832		20,755,541
Prepaid expenses and deposits	8		4,822,161		4,019,562
Total current assets			**50,329,310**		**53,267,115**
Non-current assets					
Prepaid expenses and deposits	8		1,398,099		2,507,057
Property and equipment	9		20,310,594		14,719,645
Intangibles	10		11,791,630		13,746,342
Right-of-use assets	11		9,198,524		10,074,558
TOTAL ASSETS		**$**	**93,028,157**	**$**	**94,314,717**
LIABILITIES					
Current Liabilities					
Trade payables and accrued liabilities	12	$	16,111,076	$	11,654,469
Share-based compensation liability			265,056		444,084
Deferred revenue			74,731		-
Customer deposits			1,489,322		1,992,191
Current portion of lease liabilities	13		931,472		851,057
Current portion of loans and borrowings	14		6,440		80,325
Current portion of provisions	20		1,569,576		1,100,614
Total current liabilities			**20,447,673**		**16,122,740**
Non-current Liabilities					
Lease liabilities	13		9,045,623		9,752,947
Loans and borrowings	14		41,850,758		2,190,390
TOTAL LIABILITES			**71,344,054**		**28,066,077**
SHAREHOLDERS' EQUITY					
Share capital	15		323,937,503		323,937,503
Contributed surplus	16		24,057,795		18,313,353
Deficit			(326,311,195)		(276,002,216)
TOTAL SHAREHOLDERS' EQUITY			**21,684,103**		**66,248,640**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**93,028,157**	**$**	**94,314,717**

Nature of operations and going concern (Note 2)

Approved on behalf of the Board by:

(Signed)

Andrew Lapham, Chairman of the Board

(Signed)

Martin Picard, Audit Committee Chair

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Taiga Motors Corporation
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

For the periods ended	Notes		Three months September 30, 2023		Three months September 30, 2022		Nine months September 30, 2023		Nine months September 30, 2022
Revenue	18	$	4,206,544	$	1,308,386	$	10,026,863	$	1,849,372
Cost of sales			12,107,470		5,713,811		27,408,035		12,082,459
Gross loss		**$**	**(7,900,926)**		**(4,405,425)**		**(17,381,172)**	**$**	**(10,233,087)**
Expenses									
Research and development (net of tax credits)			4,093,522		4,400,766		12,310,774		7,431,417
General and administration			4,718,206		5,501,516		14,708,450		14,861,886
Sales and marketing			1,842,022		1,267,890		4,114,142		3,338,858
Loss before other expenses			**(18,554,676)**		**(15,575,597)**		**(48,514,538)**		**(35,865,248)**
Other expenses (income)									
Government grants			-		(40,761)		-		(65,761)
Net financing costs (income)	22		1,632,764		12,209		3,328,451		(109,419)
Loss before tax			**(20,187,440)**		**(15,547,045)**		**(51,842,989)**		**(35,690,068)**
Deferred income tax recovery	14		-		-		1,534,010		-
Net loss and comprehensive loss for the period		**$**	**(20,187,440)**	**$**	**(15,547,045)**	**$**	**(50,308,979)**	**$**	**(35,690,068)**
Basic and diluted loss per common share		$	(0.63)	$	(0.49)	$	(1.58)	$	(1.13)
Weighted average number of common shares outstanding			31,825,712		31,570,858		31,825,712		31,555,496

Taiga Motors Corporation
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

	Notes		Share capital		Contributed surplus		Deficit		Total
Balance as at December 31, 2021		**$**	**321,163,338**	**$**	**17,872,305**		**(216,486,288)**	**$**	**122,549,355**
Share-based payments			-		2,260,510		-		2,260,510
Exercise of stock options			199,144		(148,528)		-		50,616
Warrants exercise			2,536,656		(2,189,516)		-		347,140
Net loss and comprehensive loss for the period			-		-		(35,690,068)		(35,690,068)
Balance as at September 30, 2022		**$**	**323,899,138**	**$**	**17,794,771**	**$**	**(252,176,356)**	**$**	**89,517,553**
Balance as at December 31, 2022		**$**	**323,937,503**		**18,313,353**		**(276,002,216)**		**66,248,640**
Share-based payments	16		-		1,489,736		-		1,489,736
Convertible bond conversion option, net of income tax effect	14		-		4,254,706		-		4,254,706
Net loss and comprehensive loss for the period			-		-		(50,308,979)		(50,308,979)
Balance as at September 30, 2023		**$**	**323,937,503**		**24,057,795**		**(326,311,195)**		**21,684,103**

(Expressed in Canadian Dollars - Unaudited)

	Notes		Nine-months ended September 30, 2023		Nine-months ended September 30, 2022
Cash (used in) provided by:					
OPERATING ACTIVITIES					
Net loss for the period		$	(50,308,979)	$	(35,690,068)
Non-cash items:					
Depreciation and amortization	9,10,11		5,448,475		2,184,972
Net financing cost	22		3,328,451		129,093
Deferred income tax recovery	14		(1,534,010)		-
Share-based payments	16		1,661,570		2,128,802
Foreign currency loss			28,717		886
Net change in provisions	20		468,962		111,754
Impairment of property and equipment	9		428,399		974,196
Changes in non-cash working capital items					
Receivables			(2,024,711)		(1,796,254)
Inventory			(11,266,291)		(5,795,946)
Prepaid expenses and deposits			306,359		(649,973)
Trade payables and accrued liabilities			3,365,386		(3,318,687)
Customer deposits			(502,869)		447,965
Deferred revenue			74,731		32,390
Share-based compensation liability	16		(350,862)		(98,063)
Net cash used in operating activities		**$**	**(50,876,672)**	**$**	**(41,338,933)**
INVESTING ACTIVITIES					
Acquisition of property and equipment	9	$	(7,769,446)	$	(7,568,828)
Proceeds from disposal of property and equipment	9		481,460		-
Expenditures on intangible assets	10		(287,007)		(6,056,413)
Interest received	22		382,275		329,504
Net cash used in investing activities		**$**	**(7,192,718)**	**$**	**(13,295,737)**
FINANCING ACTIVITIES					
Interest paid		$	(646,803)	$	(666,753)
Repayment of lease liabilities	13		(626,909)		(562,293)
Repayment of loans and borrowings	14		(271,040)		(59,730)
Proceeds from loans, net of transaction costs	14		42,582,736		-
Proceeds from exercise of stock options	15,16		-		50,616
Proceeds from exercise of warrants			-		347,140
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**

Supplemental cash flow information (Note 21)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - Reporting entity

Taiga Motors Corporation (the "Company" or "Taiga") was incorporated under the laws of the province of British Columbia on March 13, 2019. Taiga's head office is 2695 Dollard Avenue, LaSalle, Québec, H8N 2J8. Its registered office is located at 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3. These condensed consolidated interim financial statements comprise the Company and its wholly-owned subsidiaries Taiga Motors Inc., CGGZ Finance Corp. and Taiga Motors America Inc. ("Taiga USA") (together referred as the "Group").

Note 2 - Nature of operations

The Group is focused on research and development, design, production, marketing and distribution of all-electric powersport vehicles.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("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 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. Although the Company has been successful at raising funds in the past through the issuance of securities and obtaining loans, it is uncertain whether it will be successful in doing so in the future.

These condensed consolidated interim financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Corporation be unable to continue as a going concern. Such adjustments could be material.

Note 3 - Basis of presentation and statement of compliance

These 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 ("IASB"). IFRS included IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2022 which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, equity-classified share-based payment arrangements are measured at fair value at grant date pursuant to IFRS 2, *Share-based Payment*, and lease liabilities are initially measured at the present value of lease payments not paid at the commencement date in accordance with IFRS 16, *Leases*. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements, except as described in note 4 below.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 10, 2023.

Note 4 - Significant accounting policies

Significant accounting policies applied to these condensed consolidated interim financial statements are the same as those applied to the Company's audited financial statements for the year ended December 31, 2022. except for the ones described below:

a) **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

b) **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 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.

(Expressed in Canadian Dollars - Unaudited)

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.

Note 5 - Significant accounting judgments, estimates and assumptions

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 as described below:

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.

Note 6 - 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.

Note 7 - Inventories

Inventories consist of the following:

		September 30, 2023		December 31, 2022
Raw materials	$	19,486,158	$	17,520,933
Work in progress		5,110,949		2,280,848
Finished goods		7,424,725		953,760
Total inventories	**$**	**32,021,832**	**$**	**20,755,541**

The cost of inventories recognized as expense during the three and nine-month period ended September 30, 2023 was $4,330,704 and $12,657,260 respectively (the three and nine-month period ended September 30, 2022 - $4,533,001 and $9,968,044 respectively) and was recognized in the cost of sales in the consolidated statements of loss.

The Company reversed $1,202,404 and $3,295,927 of net realisable value provision during the three and nine-month periods, respectively, related to sales that occurred during the periods (for the three and nine-month period ended September 30, 2022 - $nil). The Company also provisioned an additional provision of $2,096,116 and $2,992,062 for the three and nine-month periods ended September 30, 2023 (for the three and nine-month period ended September 30, 2022 - $nil) as the cost to complete the vehicles are coming in higher than expected and net selling prices of certain vehicles are lower than expected. At September 30, 2023, the net realizable provision included in inventories was $7,337,129 ($7,640,994 as at December 31, 2022).

(Expressed in Canadian Dollars - Unaudited)

The Company recorded an additional expense of $222,533 and $387,644 related to raw materials in the three and nine-month periods ended September 30, 2023 (for the three and nine-month period ended September 30, 2022 - $nil) due to obsolescence.

Note 8 - Prepaid expenses and deposits

		September 30, 2023		December 31, 2022
Security and other deposits	$	11,749	$	7,849
Prepaid insurance		808,857		1,162,004
Prepaid inventory and supplies		2,353,014		2,019,981
Deposits to suppliers related to property and equipment		1,398,099		2,299,414
Deferred financing costs		465,000		300,000
Other prepaid expenses		1,183,541		737,371
Total prepaid expenses and deposits	**$**	**6,220,260**	**$**	**6,526,619**
Current portion of prepaid expenses and deposits		**4,822,161**		**4,019,562**
Non-current portion of prepaid expenses and deposits	**$**	**1,398,099**	**$**	**2,507,057**

(Expressed in Canadian Dollars - Unaudited)

Note 9 - Property and equipment

	Project in Progress	Office Furniture, R&D Equipment and Charging Station Network	Manufacturing Equipment	Tooling	Vehicles and Demo Vehicles	Computer Equipment	Leasehold Improvements	Total
Cost:								
As at December 31, 2022	**$ 1,588,932**	**$ 1,881,879**	**$ 3,153,464**	**$ 8,541,515**	**$ 1,231,144**	**$ 626,226**	**$ 990,136**	**$ 18,013,296**
Additions	-	110,249	1,408,355	6,835,735	512,122	130,860	77,547	9,074,868
Government assistance	-	-	-	(263,261)	-	-	-	(263,261)
Disposals	(481,460)	-	-	-	-	-	(49,837)	(531,297)
As at September 30, 2023	**$ 1,107,472**	**$ 1,992,128**	**$ 4,561,819**	**$ 15,113,989**	**$ 1,743,266**	**$ 757,086**	**$ 1,017,846**	**$ 26,293,606**
Accumulated depreciation and impairment:								
As at December 31, 2022	**$ -**	**$ 488,232**	**$ 535,401**	**$ 1,696,329**	**$ 102,090**	**$ 302,087**	**$ 169,512**	**$ 3,293,651**
Depreciation	-	247,252	478,453	1,049,320	252,182	121,205	112,550	2,260,962
Impairment	-	-	-	428,399	-	-	-	428,399
As at September 30, 2023	**$ -**	**$ 735,484**	**$ 1,013,854**	**$ 3,174,048**	**$ 354,272**	**$ 423,292**	**$ 282,062**	**$ 5,983,012**
Carrying amounts:								
As at December 31, 2022	$ 1,588,932	$ 1,393,647	$ 2,618,063	$ 6,845,186	$ 1,129,054	$ 324,139	$ 820,624	$ 14,719,645
As at September 30, 2023	**$ 1,107,472**	**$ 1,256,644**	**$ 3,547,965**	**$ 11,939,941**	**$ 1,388,994**	**$ 333,794**	**$ 735,784**	**$ 20,310,594**

Project in progress relates to the construction of its Shawinigan manufacturing facility.

The Company impaired tooling valued at $428,399 as management deemed it to be not usable in development and production of future models powersport vehicles.

(Expressed in Canadian Dollars - Unaudited)

Note 10 - Intangible assets

	Prototypes Development Cost	Software	Patents	Total
Cost:				
As at December 31, 2022	**$ 14,553,459**	**$ -**	**$ 1,086,937**	**$ 15,640,396**
Additions	-	41,093	315,674	356,767
As at September 30, 2023	**$ 14,553,459**	**$ 41,093**	**$ 1,402,611**	**$ 15,997,163**
Accumulated amortization:				
As at December 31, 2022	**$ 1,864,655**	**$ -**	**$ 29,399**	**$ 1,894,054**
Amortization	2,290,349	5,479	15,651	2,311,479
As at September30, 2023	**$ 4,155,004**	**$ 5,479**	**$ 45,050**	**$ 4,205,533**
				-
Carrying amounts:				
As at December 31, 2022	$ 12,688,804	$ -	$ 1,057,538	$ 13,746,342
As at September 30, 2023	**$ 10,398,455**	**$ 35,614**	**$ 1,357,561**	**$ 11,791,630**

Note 11 - Right-of-use assets

	Building	Equipment	Total
As at December 31, 2022	**$ 10,069,507**	**$ 5,051**	**$ 10,074,558**
Depreciation	(870,983)	(5,051)	(876,034)
As at September 30, 2023	**$ 9,198,524**	**$ -**	**$ 9,198,524**

Note 12 - Trade payables and accrued liabilities

	September 30, 2023	December 31, 2022
Trade payables	$ 11,224,366	$ 4,901,255
Accrued salaries	1,184,720	1,620,065
Accrued liabilities	3,639,714	5,123,867
Other payables	62,276	9,282
Total trade payables and accrued liabilities	**$ 16,111,076**	**$ 11,654,469**

Note 13 - Lease liabilities

The Company’s leases are comprised of buildings for its office and warehouse manufacturing space, and equipment for industrial manufacturing purposes. The leases of office space run for periods ranging from four to ten years, and the leases for equipment run for periods ranging from three months to one year. The equipment leases include an option to purchase the assets at the end of the contract term.

(Expressed in Canadian Dollars - Unaudited)

The following table summarizes the continuity of the Company's lease liabilities for each reporting period:

		September 30, 2023		December 31, 2022
Balance, beginning of period	**$**	**10,604,004**	**$**	**11,368,279**
Payment of lease obligations		(1,238,456)		(1,636,217)
Interest expense on lease liabilities		611,547		871,942
Balance, end of period	**$**	**9,977,095**	**$**	**10,604,004**

The following table summarizes the contractual undiscounted cash flows from lease obligations:

Maturity analysis - contractual undiscounted cash flows:		September 30, 2023		December 31, 2022
Less than one year	$	1,684,955	$	1,657,862
One to five years		7,022,070		6,965,067
More than five years		4,583,685		5,907,127
Total undiscounted lease liabilities	**$**	**13,290,710**	**$**	**14,530,056**
Lease liabilities:				
Current	$	931,472	$	851,057
Non-current	$	9,045,623	$	9,752,947
Total lease liabilities	**$**	**9,977,095**	**$**	**10,604,004**

As at September 30, 2023, a lease liability of $4,480,513 (December 31, 2022 - $4,480,513) relating to the exercise of a renewal option which the Company is reasonably certain to exercise has been recognized in lease obligations representing $8,258,679 (December 31, 2022 - $8,258,679) of undiscounted cash flows. The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position is 8%.

Amounts recognized in statement of loss and comprehensive loss:

		Three-months				Nine-months		
For the periods ended		September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022
Interest on lease liabilities recorded in net financing income	$	199,647	$	118,412	$	611,547	$	194,935

(Expressed in Canadian Dollars - Unaudited)

Note 14 - Loans and borrowings

		September 30, 2023		December 31, 2022
Secured provincial government term loan repayable in monthly instalments $6,667 beginning in May 2021 and ending in May 2026 with compounding interest payable monthly beginning in May 2018 and ending in April 2026 at a variable rate of prime plus 0.25% (i)	$	-	$	261,445
Unsecured federal government term loan principal due on December 31, 2025 with monthly interest payments beginning in January 2023 and ending in December 2025 at a fixed rate of 5%, if the amount is unpaid before December 31, 2023. The portion of the loan may be forgiven with early repayment by January 2024 (i)		50,127		47,225
Secured Economic Development Agency of Canada secured term loan repayable in 84 equal and consecutive monthly instalments with the first payment due and payable 36 months following the project completion date, being no later than March 21, 2024. The interest compounds monthly at a fixed rate of 10% (i) (ii)		2,099,229		1,952,901
Convertible debentures repayable in March 2028 effective interest rate of 15.76%, with quarterly interest payments, which may, at the Company's election, be paid in cash or by issuing additional "paid in kind" debentures with the same terms. Each Debenture is convertible, at the holder's option, into common shares at a conversion price of $3.25 per share. Company has granted customary pre-emptive rights to Northern Private Capital in connection with any future offerings or issuances of equity or convertible equity or debt securities.		39,703,652		-
Other		4,190		9,144
Total Loans and borrowings	**$**	**41,857,198**	**$**	**2,270,715**
Less: Current portion of loans and borrowings	**$**	**6,440**	**$**	**80,325**
Non-current portion of loans and borrowings	**$**	**41,850,758**	**$**	**2,190,390**

(i) The benefits received by the Company from these loans, where interest rates are lower than market rates, were accounted for under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance and recorded as Other income in the Statement of Loss and Comprehensive Loss or offset against the assets to which the benefits relate to. Market interest rates of 8-10% were determined by looking at comparable loans with similar terms, adjusted for credit risk rating of the Company.

(ii) On December 28, 2022, the Company received a $4,000,000 loan from Economic Development Agency of Canada to cover the acquisition and installation of research, development, and production equipment, including specialized equipment for the battery, snowmobile, and watercraft assembly lines. The difference of the total value and present value $1,952,901 has been treated as a government grant, which has been applied against the related costs for which the loan was intended, primarily property, plant and equipment.

Convertible debentures

On March 27, 2023, the Company entered into a private placement of $40.15 million aggregate principal amount of 10% convertible debentures due March 31, 2028 (the "Debentures"). The entirety of the Debentures was subscribed for by two institutional investors, with existing significant shareholder Northern Private Capital (together with its affiliates and funds managed by it, "NPC") and Investissement Québec ("IQ", and together with NPC, the "Investors") having respectively subscribed for $25.15 million and $15 million of the Debentures. In addition, the Company has granted NPC an option, exercisable in whole or in part, to subscribe for an additional Debenture no later than April 27, 2023, on the same terms as the original Debenture (other than the amount of the first interest payment to the extent the additional Debenture is issued after the original Debenture), with a principal amount of up to $5 million (the "NPC Option"). IQ has committed to concurrently subscribe for an amount that is equal to or greater than $2.5 million, provided that if the NPC Option is exercised for an amount that is equal to or greater than $2.5 million but less than $5 million, IQ's commitment is to acquire an additional Debenture having a principal amount of $2.5 million and if the NPC Option is exercised in full, IQ's commitment is for an amount of $5 million. On April 27, 2023 the option was exercised for an additional principal amount of $6.63 million.

(Expressed in Canadian Dollars - Unaudited)

Each Debenture will be convertible, at the holder's option, into common shares at a conversion price of $3.25 per share (the "Conversion Price") at any time before the maturity date of March 31, 2028 (the "Maturity Date"). The Debentures will bear interest at an annual rate of 10%, compounded and payable quarterly, which may, at the Company's election, be paid in cash or by issuing additional "paid in kind" Debentures with the same terms, all maturing on the same Maturity Date. The conversion of the principal and capitalized interest would result in the issuance of 14,764,066 shares.

The Debentures may be redeemable by the Company on or after the second anniversary of their initial issuance date, in whole or in part, at par (or 100% of the then principal amount), together with accrued interest, provided the 20 trading day volume weighted average price ("VWAP") of the common shares on TSX is not less than 150% of the Conversion Price and also contain a customary put right in favour of Debenture holders in the event of a change of control at a price equivalent to 102% of the then principal amount.

In addition, the Company has granted customary pre-emptive rights to NPC in connection with any future offerings or issuances of equity or convertible equity or debt securities so as to allow NPC, for a period of time set out in the definitive documents, to maintain its pro forma and as-converted proportionate ownership interest in the Company.

The Company estimated the value of the liability portion of the Debentures at inception by reference to a plain vanilla debt instrument with the residual value allocated to an equity component presented as contributed surplus on the condensed consolidated interim statement of financial position.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $4,254,706. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 15.76%.

The following table summarizes the continuity of the Company's convertible debentures for the periods ended:

	September 30, 2023	December 31, 2022
Balance, beginning of period	$	$ -
Net proceeds from issuance of the Debentures (i)	36,794,020	-
Accretion of interest	2,909,632	-
Balance, end of period	**$ 39,703,652**	**$ -**

(i) Issuance costs attributable to the liability component amounts to $3,622,317. Net proceeds of $4,254,706 were allocated to an equity portion of convertible debentures, classified as contributed surplus in the statement of financial position, net of $570,447 of issuance costs and $1,534,010 of deferred income tax recovery. The total net proceeds received without allocation to a liability and equity component was $42,582,736.

Term Loan

On September 29, 2023, the Company entered into a term loan agreement (the "Term Loan") with Export Development Canada ("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. The loan is secured by a security interest and/or hypothec over all of the Company' present and future personal and movable property. The Company must maintain a current ratio (current assets divided by current liabilities) greater than 1.10 to 1.00 in 2024, 1.15 to 1.00 in 2025, and 1.25 to 1.00 thereafter, measured quarterly, as well as a quarterly cashflow from operations equal to or greater than $4,000,000 commencing in the last fiscal quarter of 2024. At September 30, 2023, no amounts were drawn under this facility. In October 2023, the Company made a first draw down under this agreement.

(Expressed in Canadian Dollars - Unaudited)

Note 15 - Share capital

Common shares

Authorized: unlimited number of voting common shares without par value

	Number of shares		Amount
Balance as at December 31, 2021	**31,497,475**	**$**	**321,163,338**
Common shares issued on exercise of stock options	148,907		237,509
Warrants exercise	179,330		2,536,656
Balance as at December 31, 2022 and September 30, 2023	**31,825,712**	**$**	**323,937,503**

Note 16 - Share-based payments

Warrants

Continuity of warrants reserved classified as contributed surplus in the statement of financial position is as follows:

	Number of warrants		Amount
Balance as at December 31, 2021	**1,973,684**		**14,929,230**
Warrants exercise	(179,330)		(2,189,516)
Balance as at December 31, 2022 and September 30, 2023	**1,794,354**	**$**	**12,739,714**

The outstanding warrants with exercise price of $17.25 expire on April 21, 2026. The weighted average remaining contractual life of outstanding warrants as at September 30, 2023 is 2.50 years.

Incentive stock options

Historically, Taiga Motors Inc. made equity-based awards by issuing options under the Company's employee stock option plan effective as of October 16, 2015, as amended from time to time (the "Legacy Option Plan"). In connection with the Merger, the Legacy Option Plan was amended to, among other things, comply with the requirements of the TSX, render the outstanding options exercisable for common shares of Taiga Motors Corporation and to prohibit further awards under the Legacy Option Plan.

On April 21, 2021, the Company established an omnibus incentive plan (the "Omnibus Incentive Plan") for awards to eligible directors, officers, employees and consultants. The Company has the right to make such grants for a period of 3 years from the establishment of the Omnibus Incentive Plan and then needs to get the approval of the Board and the Shareholders every 3 years. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company. The Board of Directors grants awards from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of awards already outstanding and overall market conditions.

On August 18, 2021, the Company amended and restated the Omnibus Incentive Plan. No material changes resulted from these amendments.

The number of common shares reserved for issuance under the Legacy Option Plan will not exceed 1,305,790. Unless otherwise decided by the Board, the term of the option cannot exceed 10 years and will vest gradually over a period of 4 years. The number of common shares reserved for issuance under the Omnibus Incentive Plan will not exceed 10% of the total issued and outstanding shares on a non-diluted basis (3,182,571 as at September 30, 2023). Repurchase, exercise or return of previously issued awards to the Omnibus Incentive Plan increase the number of shares available for issue.

(Expressed in Canadian Dollars - Unaudited)

The Company recorded share-based compensation in the condensed consolidated interim statements of loss and compressive loss and capitalized in intangible assets and inventory are the following:

	Three-months ended		Nine-months ended	
For the periods ended	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Statement of loss and comprehensive loss	$ 393,070	$ 577,003	$ 1,489,736	$ 1,751,678
Capitalized to intangible assets	-	-	-	322,498
Capitalized to inventory	-	-	-	101,148
Total share-based compensation	**$ 393,070**	**$ 577,003**	**$ 1,489,736**	**$ 1,598,321**

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted Average exercise price	Weighted Average remaining life (years)
Balance, December 31, 2021	**1,497,387**	**$ 4.06**	**7.52**
Granted	1,096,350	3.05	
Forfeited	(275,199)	6.59	
Cancelled	(6,800)	7.35	
Exercised	(148,907)	1.58	
Balance, December 31, 2022	**2,162,831**	**$ 3.65**	**7.98**
Granted	935,650	1.57	
Forfeited	(333,082)	3.74	
Balance, September 30, 2023	**2,765,399**	**1.55**	**7.92**

The Company fair valued the 935,650 stock options granted in the three months ended September 30, 2023 using the Black-Scholes option pricing model using the following input assumptions:

	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
Grant date share price	\$1.30 - \$1.44	\$3.57 - \$4.75
Exercise Price	\$1.34 - \$1.60	\$3.69 - \$5.10
Risk Free rate	3.40% - 3.78%	2.49% - 3.34%
Expected life (years)	7.00	7.00
Expected volatility	60%	60%
Expected dividends yield	0%	0%

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the options from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

Total weighted average fair value of a stock option granted during the three- and nine-month periods ended September 30, 2023 was $0.78 (September 30, 2022 - $1.89).

(Expressed in Canadian Dollars - Unaudited)

On June 28, 2023, the Company repriced 1,307,975 outstanding stock options including 327,100 performance-based stock-options to an exercise price of $1.60. Of these number of stock options, 712,635 were already repriced to $4.28 as at October 13, 2022.

Exercise price ($)	Share price	Risk free rate	Volatility	Number of options outstanding
4.28	4.11	3.44%	60%	712,635
9.87	9.68	0.81%	60%	35,460
7.35	6.46	1.64%	60%	80,000
6.14	6.10	1.30%	60%	25,000
5.10	4.75	2.49%	60%	349,600
3.69	3.57	3.34%	60%	28,080
3.88	3.78	2.98%	60%	77,200
Total				**1,307,975**

The Company concluded that the repricing constituted a modification. The estimated incremental fair value of $357,373 resulting from this modification is to be recognized over the remainder of vesting period of these stock options. Of that amount, $87,531 was recognised on the modification date for the portion of options already vested. The Company fair valued the options using the Black-Scholes option pricing model with the following input assumptions in addition to the exercise price referred above: (i) grant date share price of $1.48, (ii) expected share price volatility of 60%, (iii) risk free rate of 3.61%, (iv) dividend yield of nil% and (v) expected life of 5.14-6.41 years.

The following tables provide additional information about the Company's stock options as at September 30, 2023:

	September 30, 2023	
Exercise Price ($)	Number of options outstanding	Weighted average remaining life
0.03	15,905	0.32
0.47	184,165	1.00
1.02	61,997	2.14
1.15	19,184	2.69
1.34	15,000	9.96
1.60	2,040,483	8.96
1.93	428,665	7.20
Outstanding, end of period	**2,765,399**	**7.92**
Exercisable, end of period	**1,023,462**	**6.19**

Deferred stock units

Deferred stock units ("DSU") are time-based awards and all the amount of DSUs granted will vest immediately upon grant for the service period for which they are awarded.

	Three-months ended		Nine-months ended	
For the periods ended	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Share-based payments related to DSU	$ 46,995	$ 99,091	$ 171,834	$ 291,938

The value of deferred stock units was re-measured since the grant dates based on the market price of Company's common share at the reporting date, a gain of $85,480 and $266,948 was recognized for the three-month and nine-month periods ended September 30, 2023 respectively (September 30, 2022 – a loss of $22,830 and a gain of $98,064, respectively) and was included in the consolidated statements of loss and compressive loss as general and administration. The outstanding DSUs are recorded as share-based compensation liability until exercise in the condensed consolidated interim statements of financial position.

(Expressed in Canadian Dollars - Unaudited)

	Number of DSUs
Balance, December 31, 2022	**151,811**
Granted	109,887
Settled	(49,653)
Balance, September 30, 2023	**212,045**

49,653 DSUs were settled due departure of two directors of the Company at the settlement price of $1.67 with a realized settlement gain of $1,058 recorded in the condensed consolidated interim statement of loss and comprehensive loss and classified as general and administration.

Note 17 - Related party transactions and balances

Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers. The compensation awarded to key management personnel is as follows:

	Three-months ended		Nine-months ended	
For the periods ended	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Salaries, wages and benefits	$ 513,016	$ 698,732	$ 1,748,327	$ 1,460,419
Share-based payments	107,756	642,422	649,147	1,037,013
Total compensation	**$ 620,772**	**$ 1,341,154**	**$ 2,397,474**	**$ 2,497,432**

During the three-month period ended September 30, 2023, the Company sold a powersport vehicle to a director of the Company at a discounted price of $23,390 with the applied discount of $2,400.

Note 18 - Revenue

All of the Company's revenue is derived from contracts with customers. Revenues are disaggregated by product line and geography:

	Three-months ended		Nine-months ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Sale of powersport vehicles	$ 4,137,471	$ 1,297,735	$ 9,953,455	$ 1,828,561
Sale of branded apparel	69,073	10,651	73,408	20,811
Total	**$ 4,206,544**	**$ 1,308,386**	**$ 10,026,863**	**$ 1,849,372**

	Three-months ended		Nine-months ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Canada	$ 1,648,960	$ 1,308,386	$ 5,159,991	$ 1,633,873
United States of America	2,557,584	-	4,866,872	215,499
Total	**$ 4,206,547**	**$ 1,308,386**	**$ 10,026,863**	**$ 1,849,372**

Changes in deferred revenue balances during the period are as follows:

		Deferred revenue
Balance at December 31, 2022	**$**	**-**
Additions		74,731
Balance at September 30, 2023	**$**	**74,731**

Note 19 - Financial instruments

Fair values

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The carrying values of cash and cash equivalents, receivables, trade payables and accrued liabilities, customer deposits, approximate their fair values due to the immediate or short-term nature of these instruments. The fair values of loans and borrowings approximate their carrying values. There has been no significant change in credit and market interest rates since the date of their issuance.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Change in assumptions could significantly affect the estimates.

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash and cash equivalent	Amortized cost
Receivables	Amortized cost
Financial liabilities	
Trade payables and accrued liabilities	Amortized cost
Share-based compensation liability	Amortized cost
Customer deposits	Amortized cost
Loans and borrowings	Amortized cost

Capital and risk management

The Company's objective and polices 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 defines the components of its capital structure as being long-term debt and bank loans, net of cash, plus equity. 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 issue new equity instruments or raise additional debt financing.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk, interest rate risk, liquidity risk and foreign currency risk. The Board of Directors has overall responsibility for the determination of the Company's capital and risk management objectives and policies while retaining ultimate responsibility for them. The Company's overall capital and risk management program has not changed throughout the period. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close cooperation with management.

(Expressed in Canadian Dollars - Unaudited)

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 government term loan bearing interest at a variable rate as disclosed in Note 14.

The interest-bearing financial instruments, as reported in the financial statements, have the following interest rate profile:

		September 30, 2023		December 31, 2022
Fixed rate instruments	$	41,857,198	$	2,009,270
Variable rate instruments		-		261,445
	$	**41,857,198**	**$**	**2,270,715**

A change of 100 basis points in interest rates would have increased or decreased net earnings by $nil as at September 30, 2023 (December 31, 2022 - $2,505).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on external financing or key management to provide sufficient liquidity to meet budgeted operating requirements. 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**

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 with its capital risk management strategy.

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 USD, which exposes the Company to fluctuating balances and cash flows due to changes in foreign exchange rates. The current exposure to foreign currency risk remains very limited.

(Expressed in Canadian Dollars - Unaudited)

Note 20 - Provisions

Warranty provisions
The Company provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold.

Note 21 - Supplemental cash flow information

	Nine-months ended	
	September 30, 2023	September 30, 2022
Non-cash additions to inventory	$ -	$ 132,805
Non-cash additions to property and equipment	992,324	201,855
Non-cash additions to intangible assets	69,760	1,454,422

Note 22 - Net financing cost (income)

	Three-months ended		Nine-months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Interest income	$ (82,171)	$ (113,592)	$ (382,275)	$ (329,504)
Finance costs on lease liabilities	199,647	118,412	611,547	194,935
Finance costs on loans and borrowing	1,515,287	7,389	3,098,760	22,968
Other finance costs	1	-	419	2,182
Net financing cost (income)	**$ 1,632,764**	**$ 12,209**	**$ 3,328,451**	**$ (109,419)**

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