

MOJAVE BRANDS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

Three and Six Months Ended February 29, 2024

(Unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

MOJAVE BRANDS INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Note	February 29, 2024	August 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		\$ 24,219	\$ 690,178
GST recoverable		34,753	-
Interest receivable		-	1,079
Prepaid expenses	4	291,292	884
Loan receivable	1	250,000	-
Total assets		\$ 600,264	\$ 692,141
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payables and accrued liabilities	5	\$ 69,268	\$ 24,950
Due to related parties	7	-	31,913
Total liabilities		69,268	56,863
Equity			
Share capital	8	56,393,861	55,937,788
Share-based payments reserve	9	7,020,615	7,020,615
Deficit		(62,883,480)	(62,323,125)
Total equity		530,996	635,278
Total liabilities and equity		\$ 600,264	\$ 692,141

Nature of business and going concern (Note 1)

Approved by the board of directors on April 18, 2024 and signed on its behalf by:

“Robert Dubeau” Director “Christopher Cooper” Director

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

MOJAVE BRANDS INC.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Note	Three Months Ended February 29, 2024	Three Months Ended February 28, 2023	Six Months Ended February 29, 2024	Six Months Ended February 28, 2023
Expenses					
Accounting and audit		\$ 23,893	\$ 5,256	\$ 26,893	\$ 6,656
Consulting	7	151,113	-	306,351	-
Filing and transfer agent		14,255	9,578	21,331	13,407
Legal fees		15,599	6,340	15,599	6,573
Management fees	7	17,500	22,500	28,500	45,000
Marketing & promotion		36,077	-	36,077	-
Office and general		2,468	4,568	5,078	10,563
Travel		115,961	-	115,961	-
Loss before items below		(376,866)	(48,242)	(555,790)	(82,199)
Foreign exchange gain (loss)		54	3,786	(4,863)	18,847
Interest income		-	5,029	298	7,919
Gain on loan repayment	6	-	10,000	-	10,000
Provision for doubtful receivables		30,513	-	-	-
Comprehensive loss for the period		(346,299)	(29,427)	(560,355)	(45,433)
Basic and diluted loss per common share		\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ (0.02)
Weighted average number of common shares outstanding *		8,239,568	2,560,614	5,400,091	2,560,614

* The number of shares has been restated to reflect the 4:1 share consolidation (Note 8).

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

MOJAVE BRANDS INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Note	Number of Shares*	Share capital	Share-based payments reserve	Deficit	Total equity
Balance, August 31, 2023		2,560,614	\$ 55,937,788	\$ 7,020,615	\$ (62,323,125)	\$ 635,278
Private placement	8	6,799,800	475,986	-	-	475,986
Share issuance costs	8	-	(19,913)	-	-	(19,913)
Comprehensive loss for the period		-	-	-	(560,355)	(560,355)
Balance, February 29, 2024		9,360,414	\$ 56,393,861	\$ 7,020,615	\$ (62,883,480)	\$ 530,996

		Number of Shares*	Share capital	Share-based payments reserve	Deficit	Total equity
Balance, August 31, 2022		2,560,614	\$ 55,937,788	\$ 7,020,615	\$ (62,254,267)	\$ 704,136
Comprehensive loss for the period		-	-	-	(45,433)	(45,433)
Balance, February 28, 2023		2,560,614	\$ 55,937,788	\$ 7,020,615	\$ (62,299,700)	\$ 658,703

* The number of shares has been restated to reflect the 4:1 share consolidation (Note 8).

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

MOJAVE BRANDS INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED
(Unaudited)

	February 29, 2024	February 28, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (560,355)	\$ (45,433)
Items not affecting cash:		
Foreign exchange loss	-	2,017
Gain on loan repayment	-	(10,000)
Changes in non-cash working capital items:		
GST recoverable	(34,753)	-
Prepaid expenses	(290,408)	112
Trade and other payables	44,318	11,779
Amounts due to related parties	(31,913)	-
Net cash used in operating activities	(873,111)	(41,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	(250,000)	-
Interest received	1,079	-
Net cash used in investing activities	(248,921)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	475,986	-
Share issuance costs	(19,913)	-
Loan repayment	-	(30,000)
Net cash provided by (used in) financing activities	456,073	(30,000)
Change in cash during the period	(665,959)	(71,525)
Cash, beginning of the period	690,178	881,136
Cash, end of the period	\$ 24,219	\$ 809,611

There are no significant non-cash investing and financing transactions during the six month period ended February 29, 2024 and February 28, 2023.

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

MOJAVE BRANDS INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024

(Unaudited)

1. NATURE OF BUSINESS AND GOING CONCERN

Mojave Brands Inc., (the “Company”) was incorporated in British Columbia on November 12, 2010. The registered office address of the Company is 1500 – 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC, V6E 4N7. The principal place of business address is 1540 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9. The Company is a reporting issuer in British Columbia, Ontario and Alberta, and its common shares are traded on the Canadian Securities Exchange under the symbol “MOJO” and on the Frankfurt Exchange under symbol “FSE: 0HCN”.

The Company was in the business of processing and sale of cannabis extracts. Currently the Company is not generating revenues as it has closed down all its operations in the US, and plans to seek out other potential strategic alliances, joint venture, acquisition, or merger opportunities.

These financial statements have been prepared based on accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception with an accumulated deficit as at February 29, 2024 of \$62,883,480. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Proposed transaction

On January 31, 2024, the Company entered into a binding letter of intent (“LOI”) with LAI SPV Corp. (“LAI SPV”) and Light AI Inc. (“LAI”) under which the Company, LAI SPV and LAI will combine their respective businesses by way of a share exchange, merger, amalgamation, plan of arrangement or such other similar form of transaction (the “Transaction”). The parties intend to negotiate and execute a definitive agreement (the “Definitive Agreement”) respecting the Transaction within 45 days of the execution of the LOI. The Transaction shall result in a reverse takeover (“RTO”) of the Company by LAI and shall constitute a fundamental change, as defined by the policies of the Canadian Securities Exchange (“CSE”). Upon completion of the Transaction, the resulting entity (the “Resulting Issuer”) will continue to carry on the business of LAI.

Under the terms of the LOI, the Company will issue 3.89 common shares in the capital of the Company (each a “Mojave Share”) for each of the 8,514,957 issued and outstanding common shares in the capital of LAI (each an “LAI Share”) and to issue 1 Mojave shares for each LAI SPV share outstanding by way of a share exchange, merger, amalgamation, plan of arrangement or such other comparable form as determined by the parties following a review of all relevant tax, corporate and securities law considerations and a due diligence review. It is anticipated that upon closing of the Transaction (“Closing”), the former shareholders of LAI will beneficially own, or exercise control or direction over, 33,161,113 common shares of the Resulting Issuer (“Resulting Issuer Shares”) or approximately 59% of the outstanding Resulting Issuer Shares on a non-diluted basis prior to giving effect to the concurrent financings described below. On Closing, all convertible securities of LAI will be exchanged for convertible securities of the Resulting Issuer and the exercise prices or conversion prices will be adjusted accordingly in accordance with their terms. The Transaction constitutes an arms’ length transaction.

MOJAVE BRANDS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024
(Unaudited)

1. NATURE OF BUSINESS AND GOING CONCERN (cont'd...)

Proposed transaction (cont'd...)

The Transaction is subject to a number of conditions including, but not limited to:

- a) the execution of the Definitive Agreement effecting the Transaction;
- b) review and approval of the Transaction by the Boards of Directors of the Company, LAI and LAI SPV and any requisite shareholder approval;
- c) review and approval of the CSE and all other regulatory bodies having jurisdiction in connection with the Transaction;
- d) the LAI SPV Concurrent Financing (as defined herein) and the Mojave Concurrent Financing (as defined herein) shall have closed, or shall close concurrently with Closing;
- e) completion of mutually satisfactory due diligence investigations of the parties;
- f) compliance with all applicable regulatory requirements and conditions in connection with the Transaction; and
- g) other condition precedents customary for a transaction such as the Transaction.

Concurrent Financings

In connection with the Transaction, the Company will complete a non-brokered private placement for gross proceeds of at least \$7,500,000 (the "Mojave Concurrent Financing"). Finder's fees may be paid in connection with the Mojave Concurrent Financing within the maximum amounts permitted by the policies of the CSE.

In addition, LAI SPV will complete a non-brokered private placement of convertible debentures for gross proceeds of at least \$2,500,000 and a maximum of \$5,000,000 (the "LAI SPV Concurrent Financing"). The LAI SPV convertible debentures will convert automatically into common shares of LAI SPV upon completion of the Transaction.

Loan

Upon execution the LOI and in connection with the Transaction, Mojave advanced a loan of \$250,000 to LAI (the "Loan"), which is evidenced by a promissory note. The Loan is non-interest bearing (except as described below) and is payable upon demand. In the event the LOI is terminated, the Loan will become due and payable, bear interest at a rate of 24% per annum from the date of issuance, and LAI will issue Mojave 277,778 common share purchase warrants of LAI (the "LAI Warrants"). The LAI Warrants will be exercisable for LAI Shares at \$0.90 per LAI Share for a period of 48 months from the date of issuance. In addition, Mojave has the right to convert the Loan into LAI Shares at \$0.90 per LAI Share.

Name Change

Upon completion of the Transaction, subject to shareholder approval, the Resulting Issuer will change its name to "Light AI Inc.", or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of the Resulting Issuer.

2. BASIS OF PREPARATION

Statement of compliance

These condensed unaudited interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended August 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Significant accounting estimates and judgments

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates and judgments. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas requiring a significant degree of estimation and judgment by the Company’s management relate to but are not limited to:

- the fair value measurements for financial instruments;
- the recoverability and measurement of deferred tax assets and liabilities; and
- whether the Company has sufficient financing to operate as a going concern.

Actual results may differ from those estimates and judgments.

MOJAVE BRANDS INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024

(Unaudited)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out in the Company's annual consolidated financial statements for the year ended August 31, 2023 were consistently applied to all the periods presented unless otherwise noted below.

New accounting standards

There were no new or amended IFRS pronouncements effective September 1, 2023 that are expected to impact the Company's financial statements in the future.

4. PREPAID EXPENSES

	February 29, 2024	August 31, 2023
Prepaid advisory fee	\$ 290,476	\$ -
Legal retainer	816	884
	<u>\$ 291,292</u>	<u>\$ 884</u>

The Company signed a consulting agreement with Commodity Partners Inc. for capital market advisory services, effective from September 22, 2023 to August 30, 2024, for a total fee of \$610,000, inclusive of applicable taxes (fully paid). Commodity Partners Inc. became a significant shareholder of the Company through the non-brokered private placement subscription in note 8.

5. TRADE AND OTHER PAYABLES

	February 29, 2024	August 31, 2023
Trade payables	\$ 57,268	\$ 450
Accrued liabilities	12,000	24,500
	<u>\$ 69,268</u>	<u>\$ 24,950</u>

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

6. LOAN PAYABLE

In May 2020, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of \$40,000 from the Canadian Government. The loan was unsecured and non-interest bearing until December 31, 2023. The principal amount of the loan would be reduced to \$30,000 if it is repaid before December 31, 2023. In February 2023, the Company repaid \$30,000 of the loan principal and recognized a gain of \$10,000.

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7. RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due to related parties of \$nil (August 31, 2023 - \$31,913) related to advances made by a director and a close family member of a director of the Company and are unsecured, non-interest bearing, and have no specific terms of repayment. During the six months ended February 29, 2024, the Company repaid the amounts due to related parties of \$31,913.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel and entities over which they have control or significant influence during the six month periods is as follows:

	Six Months Ended February 29, 2024	Six Months Ended February 28, 2023
Management fees	\$ 28,500	\$ 45,000
Consulting fees	145,238	-
	<u>\$ 173,738</u>	<u>\$ 45,000</u>

The Company entered into the following transactions with related parties during the six months ended February 29, 2024:

- Incurred management fees of \$12,500 (2023 - \$nil) the Chief Executive Officer (“CEO”) of the Company.
- Incurred management fees of \$8,500 (2023 - \$nil) to a company controlled by the Chief Financial Officer (“CFO”) of the Company.
- Incurred management fees of \$7,500 (2023 - \$45,000) to a company partially controlled by a former director of the Company.
- Incurred consulting fees of \$145,238 (2023 - \$nil) to Commodity Partners Inc., a significant shareholder of the Company, for capital market advisory services.

8. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At February 29, 2024, the Company had 9,360,414 common shares outstanding, after giving effect to the share consolidation (August 31, 2023 - 2,560,614 common shares).

Share consolidation

On October 25, 2023, the Company completed a consolidation of the Company’s issued and outstanding common shares, stock options and warrants on a basis of one (1) post-consolidation common share for every four (4) pre-consolidation common shares. All information relating to basic and diluted loss per share, issued and outstanding common shares, stock options and warrants in these financial statements have been adjusted and restated retrospectively to reflect the share consolidation.

MOJAVE BRANDS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024
(Unaudited)

8. SHARE CAPITAL (cont'd...)

Share issuance

During the six months ended February 29, 2024, the Company completed a non-brokered private placement of 6,799,800 units announced at a price of \$0.07 per unit for gross proceeds of \$475,986. Each unit is comprised of one common share and one-half of share purchase warrant; each whole warrant entitles the holder to acquire one additional common share for a period of 24 months at an exercise price of \$0.11. No proceeds were allocated to the warrants based on the residual method. The Company incurred filing and other expenses of \$19,913 in connection with the private placement.

9. SHARE-BASED PAYMENTS

Stock options

The Company's Board of Directors approved the implementation of an aggregate maximum of 10% of the issued and outstanding common shares may be issued for granting of options to directors, senior officers, full time employees of the Company, affiliates or subsidiaries, or any consultants to the Company. The terms of the awards under the Plan are determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, August 31, 2022 and 2023	5,000	\$ 34.00
Forfeited	(5,000)	34.00
Balance, February 29, 2024	-	\$ -

Performance Share Units and Restricted Share Units

The Company's Board of Directors approved the implementation of a restricted share unit plan (the "RSU Plan"). Under the RSU Plan, eligible persons may (at the discretion of the Board) be allocated several RSUs as the Board deems appropriate, with vesting provisions also to be determined by the Board, subject to a maximum vesting term of three (3) years from the end of the calendar year in which RSUs were granted. Upon vesting, eligible participants shall be entitled to a cash payment equal to the number of RSUs granted, multiplied by the fair market value of the Company's common shares on the redemption date. The Company shall also have the option (at the discretion of the Board) to settle amounts owing to eligible persons via the issuance of common shares of the Company.

The Company had no RSU transactions during the year ended August 31, 2023 and the six months ended February 29, 2024. There were no RSUs outstanding as at August 31, 2023 and February 29, 2024.

MOJAVE BRANDS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Unaudited)

9. SHARE-BASED PAYMENTS (cont'd...)

Warrants

Warrants are issued as private placement incentives and measured using the residual method. Agents' warrants are measured at fair value on the date of the grant determined using the Black-Scholes Option Pricing Model.

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2022 and 2023	1,437,500	\$ 0.60
Issued	3,399,900	0.11
Balance, February 29, 2024	4,837,400	\$ 0.26

As at February 29, 2024, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,437,500	\$ 0.60	July 12, 2025
3,399,900	\$ 0.11	December 15, 2025
4,837,400		

The share-based payment reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company to support the growth and development of its subsidiaries and additional acquisition opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of its shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

As of February 29, 2024, the carrying amounts of loan receivable and accounts payables carried at amortized cost are considered a reasonable approximation of their fair values due to the relatively short period to maturity of these financial instruments.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. Cash and cash equivalents are carried at fair value.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and loan receivable. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The loan receivable was a loan to a company with which the Company plans to merge (Note 1). The Company does not anticipate any default on the loan receivable.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due, as they fall due. As at February 29, 2024, the Company has a cash balance of \$24,219 and current liabilities of \$69,268. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal.

MOJAVE BRANDS INC.
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(Unaudited)

12. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows. There have been no changes in these levels and no changes in classifications during the six months ended February 29, 2024.

	Level 1	Level 2	Level 3	Total
February 29, 2024				
Cash	\$ 24,219	\$ -	\$ -	\$ 24,219
August 31, 2023				
Cash and cash equivalents	\$ 690,178	\$ -	\$ -	\$ 690,178
