

**MOJAVE BRANDS INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Six Months Ended February 28, 2022**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

## **MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORT**

The accompanying unaudited condensed consolidated interim financial report of Mojave Brands Inc. (the "Company") has been prepared by and is the responsibility of the Company's management.

**MOJAVE BRANDS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)

	Note	February 28, 2022	August 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 744,420	\$ 915,068
GST recoverable		219,732	13,436
Prepaid		4,881	16,616
<b>Total assets</b>		<b>\$ 969,033</b>	<b>\$ 945,120</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	5	\$ 123,138	\$ 149,533
Amounts due to related parties	7	-	109,750
Loan from related party	7	21,663	8,820
		144,801	268,103
<b>Non-current liabilities</b>			
Loan payable	6	40,000	40,000
<b>Total liabilities</b>		<b>184,801</b>	<b>308,103</b>
<b>Equity</b>			
Share capital	8	55,937,788	55,937,788
Share-based payments reserve	9	7,020,615	7,020,615
Deficit		(62,174,171)	(62,321,386)
<b>Total equity</b>		<b>784,232</b>	<b>637,017</b>
<b>Total liabilities and equity</b>		<b>\$ 969,033</b>	<b>\$ 945,120</b>

**Nature of business** (Note 1)

**Contingencies** (Note 12)

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

**MOJAVE BRANDS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)

	Note	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	Six Months Ended February 28, 2022	Six Months Ended February 28, 2021
<b>Expenses</b>					
Accounting and audit		\$ 1,400	\$ 25,805	\$ 6,400	\$ 55,805
Consulting		250	5,000	250	15,000
Filing and transfer agent		6,605	7,374	10,027	13,300
Legal fees		6,873	12,297	11,796	28,898
Management fees	7	30,000	22,500	60,000	45,000
Office and general		1,082	2,718	3,193	2,893
<b>Loss before items below</b>		(46,210)	(75,694)	(91,666)	(160,896)
Foreign exchange gain (loss)		(4,263)	(417)	2,849	(809)
Interest and other income		419	2,601	1,039	10,271
Loss from investment in associate		-	(1)	-	(1)
Recovery of doubtful receivables		201,118	-	201,118	-
Net income (loss) from continuing operations		151,064	(73,511)	113,340	(151,435)
Net income (loss) from discontinued operations	4	33,875	(1,851)	33,875	19,947
<b>Net income (loss) for the period</b>		184,939	(75,362)	147,215	(131,488)
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		-	-	-	(12,094)
<b>Comprehensive income (loss) for the period</b>		\$ 184,939	\$ (75,362)	\$ 147,215	\$ (143,582)
<b>Basic and diluted income (loss) per common share</b>					
Continuing operations		\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.00)
Discontinued operations		\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
		\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.00)

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

**MOJAVE BRANDS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total equity
Balance, August 31, 2021		10,242,428	\$ 55,937,788	\$ 7,020,615	\$ -	\$ (62,321,386)	\$ 637,017
Comprehensive income for the period		-	-	-	-	147,215	147,215
Balance, February 28, 2022		10,242,428	\$ 55,937,788	\$ 7,020,615	\$ -	\$ (62,174,171)	\$ 784,232

	Note	Number of Shares	Share capital	Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total equity
Balance, August 31, 2020		4,651,655	\$ 55,267,241	\$ 7,020,615	\$ 12,094	\$ (62,132,796)	\$ 167,154
Shares returned to treasury	8	(3,890,664)	(19,453)	-	-	-	(19,453)
Shares returned to treasury	8	(90,000)	-	-	-	-	-
Loss for the period		-	-	-	-	(131,488)	(131,488)
Other comprehensive loss for the period		-	-	-	(12,094)	-	-
Balance, February 28, 2021		112,310,659	\$ 55,247,788	\$ 7,020,615	\$ -	\$ (62,264,284)	\$ 4,119

The number of shares have been restated to reflect the 25:1 share consolidation (Note 9)

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

**MOJAVE BRANDS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED FEBRUARY 28**  
(Unaudited – Prepared by Management)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) from continuing operations for the period	\$ 113,340	\$ (151,435)
Items not affecting cash:		
Foreign exchange loss	807	-
Loss from investment in associate	-	1
Changes in non-cash working capital items:		
GST recoverable	(206,296)	(7,023)
Prepaid expenses	11,735	-
Trade and other payables	(27,202)	11,099
Amounts due to related parties	(109,750)	60,750
Net cash used in operating activities	(217,366)	(86,608)
Net cash provided by (used in) operating activities of discontinued operations	33,875	(1,851)
	(183,491)	(88,459)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds from related party	12,843	35,551
Net cash provided by financing activities	12,843	35,551
<b>Change in cash during the period</b>	(170,648)	(52,908)
<b>Cash, beginning of the period</b>	915,068	56,841
<b>Cash, end of the period</b>	\$ 744,420	\$ 3,933

There are no significant non-cash investing and financing transactions during the six month period ended February 28, 2022 and 2021.

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

## **MOJAVE BRANDS INC.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED FEBRUARY 28, 2022**

(Unaudited – Prepared by Management)

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#### **1. NATURE OF BUSINESS**

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 2050 – 1055 West Georgia Street, P.O. Box 11121, Royal Centre, Vancouver, BC, V6E 3P3. 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’s principal business was the manufacturing, 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 consolidated 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 28, 2022 of \$62,174,171. 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. These material uncertainties cast significant doubt on the entity’s ability to continue as a going concern.

These consolidated 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.

#### COVID-19 uncertainty

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company’s consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business but anticipates that COVID-19 may impact the Company’s ability to raise financing.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on April 21, 2022.

#### **2. BASIS OF PREPARATION**

##### **Statement of compliance**

These condensed unaudited interim consolidated 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 consolidated 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, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**2. BASIS OF PREPARATION (cont'd...)****Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Coachellagro Corp. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency for the subsidiary of the Company is the United States dollar (“USD”), and the financial statement items of the subsidiary are measured using that functional currency.

**Basis of measurement**

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

**Significant accounting estimates and judgments**

The preparation of the Company’s consolidated 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:

- judgments used in determining if an acquisition constitutes a business combination or asset acquisition;
- judgments used in determining whether the Company has acquired significant influence over an entity;
- the collectability of accounts receivable;
- the fair value measurements for financial instruments;
- the recoverability and measurement of deferred tax assets and liabilities;
- the fair value estimation of share-based payments and awards; 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 CONSOLIDATED FINANCIAL STATEMENTS**

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out in the Company’s audited annual consolidated financial statements for the year ended August 31, 2021 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, 2021 that impacted the Company’s interim consolidated financial statements.

**4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

During the year ended August 31, 2019, the Company initiated a plan to dispose of certain asset groups and as a result, certain asset groups were reclassified as assets held for sale. As at August 31, 2021, the Company had disposed all the asset groups.

Coachellagro Corp. (“Coachellagro”)

Coachellagro owns a parcel of land in Coachella, California, where the Company intended to build a facility. During the year ended August 31, 2019, the Company determined that it would no longer pursue the development of the land and committed to a plan to locate a buyer for the land. As a result, the Company reclassified Coachellagro as an asset held for sale and recorded an impairment of \$5,077,872 to write down the asset group to the lesser of its carrying value and fair value less cost to sell, which was determined through an assessment of the market value of similar parcels of land. During the year ended August 31, 2020, the Company assessed a further impairment of \$889,215 due to the decrease in value of the land. During the year ended August 31, 2021, the Company sold the land and realized a loss of \$88,546.

HS Airway Holdings (“HS Airway”)

HS Airway owned intellectual properties of the CALIGOLD edible brand and had manufacturing operations of multi-strain cannabis infused chocolate bars. During the year ended August 31, 2020, as part of the outcome of the Company’s strategic review of operations and assets, the Company divested the CALIGOLD brands back to its former founding owner in consideration of the former founding owner settling certain liabilities of the Company and returning 155,627 common shares of the Company back to the Company’s treasury for cancellation. During the year ended August 31, 2020, the Company recognized a loss of \$1,116,271 from the discontinued operation of HS Airway. On October 30, 2020, the Company dissolved HS Airway.

The net income (loss) attributable to the asset groups held for sale and discontinued operations are summarized as follows:

Six months ended February 28, 2022	Coachellagro	HS Airway	Total
	\$	\$	\$
State franchise tax	(2,656)	-	(2,656)
Other income	36,531	-	36,531
Income (loss) from discontinued operations	33,875	-	33,875

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd...)**

Year ended August 31, 2021	Coachellagro	HS Airway	Total
	\$	\$	\$
Insurance	(1,851)	-	(1,851)
State franchise tax	(1,821)	-	(1,821)
Extinguishment of accounts payables	-	9,853	9,853
Loss on sale of land	(88,546)	-	(88,546)
Other income	-	11,945	11,945
Income (loss) from discontinued operations	(92,218)	21,798	(70,420)

**5. TRADE AND OTHER PAYABLES**

	February 28, 2022	August 31, 2021
Trade payables	\$ 121,162	\$ 129,533
Accrued liabilities	1,976	20,000
	\$ 123,138	\$ 149,533

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 is unsecured and non-interest bearing until December 31, 2023. The principal amount of the loan will be reduced to \$30,000 if it is repaid before December 31, 2023.

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

Amounts due to related parties of \$nil (August 31, 2021 - \$109,750) related to consulting and management fees due to a director, a company controlled by a director of the Company, and a company controlled by a close family member of a director of the Company and are unsecured, non-interest bearing, and have no specific terms of repayment.

Loan from related party of \$21,663 (August 31, 2021 - \$8,820) is expenses paid on behalf of the Company by a close family member of a director of the Company. The loan payable is unsecured, payable on demand and bears no interest.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

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

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the six month periods ended February 28 is as follows:

	2022	2021
Management fees	\$ 60,000	\$ 45,000
Consulting fees	250	15,000
Total	\$ 60,000	\$ 60,000

The Company entered into the following transactions relating to key management personnel and entities over which they have control or significant influence during the six months ended February 28, 2022:

- a) Incurred management fees of \$60,000 to a company controlled by a director of the Company.
- b) Incurred consulting fees of \$250 to a director of the Company.

The Company entered into the following transactions relating to key management personnel and entities over which they have control or significant influence during the six months ended February 28, 2021:

- a) Incurred management fees of \$45,000 to the former CEO of the Company.
- b) Incurred consulting fees of \$15,000 to a company controlled by a close family member of a director of the Company.

During the year ended August 31, 2021, the Company entered into an administrative services agreement with a company controlled by a director of the Company for administrative and accounting services for a monthly fee of \$10,000.

**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 28, 2022, the Company had 10,242,428 common shares outstanding (August 31, 2021 - 10,242,428).

**Share issuance and cancellation**

During the year ended August 31, 2021, the Company:

- a) Completed a non-brokered private placement of 5,750,000 units at a price of \$0.12 per unit for gross proceeds of \$690,000. Each unit is comprised of one common share and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of 24 months at an exercise price of \$0.15.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**8. SHARE CAPITAL (cont'd...)****Share issuance and cancellation (cont'd...)**

- (b) Received 155,627 common shares of the Company with a fair value of \$19,453 and returned them to the Company's treasury for cancellation pursuant to the settlement agreement with the two former owners of HS Airway (Note 4).
- (c) Received 3,600 common shares of the Company and returned them to the Company's treasury pursuant to an agreement signed on July 30, 2019.

**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.

The Company had no stock option transactions during the year ended August 31, 2021 and the six months ended February 28, 2022.

The options outstanding at February 28, 2022 have an exercise price of \$8.50 and a weighted average remaining contractual life of 2.19 years.

As at February 28, 2022, the following stock options were outstanding:

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Number of Options	Exercise Price	Expiry Date
20,000	\$ 8.50	May 8, 2024

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**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, 2021 and the six months ended February 28, 2022.

There were no RSUs outstanding as at February 28, 2022 and August 31, 2021.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

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

Warrants are issued as private placement incentives. Agents' warrants are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, August 31, 2020	651,117	\$	7.45
Warrants issued	5,750,000		0.15
Agent's warrants expired	(13,897)		5.00
Balance, August 31, 2021	6,387,220	\$	0.88
Warrants expired	(637,220)		7.50
Balance, February 28, 2022	5,750,000	\$	0.15

The warrants outstanding at February 28, 2022 have an exercise price of \$0.15 and a weighted average remaining contractual life of 1.37 years.

As at February 28, 2022, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
5,750,000	\$ 0.15	July 12, 2023

**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.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**11. SEGMENTED INFORMATION****Operating segments**

The Company operates in a single reportable segment – manufacturing, processing and sale of cannabis extracts.

	Cannabis production	Cannabis infused products	Corporate	Total
	\$	\$	\$	\$
Six months ended February 28, 2022				
Revenue	-	-	-	-
Gross profit (loss)	-	-	-	-
Net loss from continuing operations	-	-	113,340	113,340
Net income (loss) from discontinued operations	-	-	33,875	33,875
Year ended August 31, 2021				
Revenue	-	-	-	-
Gross profit (loss)	-	-	-	-
Net loss from continuing operations	-	-	(118,170)	(118,170)
Net loss from discontinued operations	(92,218)	21,798	-	(70,420)

**Geographic segments**

All of the Company's non-current assets are located in Canada.

**12. CONTINGENCIES**

- i) In July 2020, a former consultant of the Company filed a claim against a subsidiary of the Company in California claiming an unpaid settlement amount related to consulting services provided. During the year ended August 31, 2021, the Company settled the claim with the former consultant.
- ii) In July 2021, the Company was served by the Court of California a claim naming the Company as one of the defendants. The claim was filed by the former owners of 420 Realty, a former subsidiary of the Company. The Company believes the action to be without merit and intends to defend this claim. Due to the uncertainty of the timing or outcome of the claim, no provision has been recognized as of August 31, 2021 and February 28, 2022.

**MOJAVE BRANDS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED FEBRUARY 28, 2022**

(Unaudited – Prepared by Management)

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**13. FINANCIAL INSTRUMENTS**

As of February 28, 2022, the carrying amounts of accounts payables, amounts due to related parties, loan payable and loan from related party 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.

*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 GST recoverable. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The GST recoverable is due from the Canadian Government. Management does not expect these counterparties to fail to meet their obligations.

*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 28, 2022, the Company has a cash balance of \$744,420 and current liabilities of \$144,801. The Company's financial liabilities include trade payables and amounts due to related parties which have contractual maturities of 30 days or are due on demand. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The loan payable is not contractually repayable before December 31, 2023.

*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. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

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

SIX MONTHS ENDED FEBRUARY 28, 2022

(Unaudited – Prepared by Management)

**14. 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 28, 2022.

	Level 1	Level 2	Level 3	Total
February 28, 2022				
Cash	\$ 744,420	\$ -	\$ -	\$ 744,420
August 31, 2021				
Cash	\$ 915,068	\$ -	\$ -	\$ 915,068