LIGHT AI INC.

(formerly Mojave Brands Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Light AI Inc. (formerly Mojave Brands Inc.)

Opinion

We have audited the consolidated financial statements of Light AI Inc. (formerly Mojave Brands Inc.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2024 and 2023, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including the material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

Yours truly,

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 27, 2024

LIGHT AI INC.
(formerly Mojave Brands Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31

	Note		2024		2023
ASSETS					
Current assets					
Cash and cash equivalents		$	34,701	$	690,178
GST recoverable			39,440		-
Interest receivable			-		1,079
Prepaid expenses			-		884
Loan receivable	1		250,000		-
Total assets		$	324,141	$	692,141
LIABILITIES AND EQUITY (DEFICIENCY)					
Current liabilities					
Accounts payable and accrued liabilities	4	$	317,663	$	24,950
Amounts due to related parties	7		-		31,913
Loans payable	6		75,835		-
Total liabilities			393,498		56,863
Equity (deficiency)					
Share capital	8		56,391,541		55,937,788
Share-based payments reserve	9		7,020,615		7,020,615
Deficit			(63,481,513)		(62,323,125)
Total equity (deficiency)			(69,357)		635,278
Total liabilities and equity (deficiency)		$	324,141	$	692,141

Nature of business and going concern (Note 1)
Events after the reporting period (Note 14)

Approved by the board of directors on December 27, 2024 and signed on its behalf by:

SS Hugh Cleland

Steven J. Semmelmayer Director *Hugh C. Cleland* Director

LIGHT AI INC.
(formerly Mojave Brands Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED AUGUST 31

	Note	2024	2023
EXPENSES			
Accounting and audit		$ 71,113	$ 24,656
Consulting	7	596,827	33,000
Filing and transfer agent		28,165	19,833
Legal fees		225,222	27,323
Loan interest	6	835	-
Management fees	7	58,500	90,000
Marketing and promotion		51,077	-
Office and general		6,123	8,454
Rent	7	-	15,000
Travel		115,961	-
Loss before items below		(1,153,823)	(218,266)
Foreign exchange gain		(4,863)	15,708
Forgiveness of loan	5	-	10,000
Gain on extinguishment of accounts payable	4	-	103,869
Interest income		298	21,296
Provision for doubtful receivables		-	(1,465)
Comprehensive loss for the year		$ (1,158,388)	$ (68,858)
Basic and diluted loss per common share		$ (0.16)	$ (0.03)
Weighted average number of common shares outstanding*		7,404,307	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 consolidated financial statements.

LIGHT AI INC.
(formerly Mojave Brands Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	Note	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 year		-	-	-	(68,858)	(68,858)
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	-	(22,233)	-	-	(22,233)
Comprehensive loss for the year		-	-	-	(1,158,388)	(1,158,388)
Balance, August 31, 2024		9,360,414	$ 56,391,541	$ 7,020,615	$ (63,481,513)	$ (69,357)

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

LIGHT AI INC.
(formerly Mojave Brands Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,158,388)	$ (68,858)
Items not affecting cash:		
Accrued interest income	-	(1,079)
Accrued loan interest	835	-
Foreign exchange loss	-	(10,000)
Gain on extinguishment of accounts payable	-	(103,869)
Changes in non-cash working capital items:		
GST recoverable	(39,440)	-
Prepaid expenses	884	2,022
Trade and other payables	292,713	(11,087)
Amounts due to related parties	(31,913)	31,913
Net cash used in operating activities	(935,309)	(160,958)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advanced	(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	(22,233)	-
Loan proceeds received (repayment)	75,000	(30,000)
Net cash provided by (used in) financing activities	528,753	(30,000)
Change in cash and cash equivalents during the year	(655,477)	(190,958)
Cash and cash equivalents, beginning of the year	690,178	881,136
Cash and cash equivalents, end of the year	$ 34,701	$ 690,178
Cash and cash equivalents consist of:		
Cash	$ 34,701	$ 565,178
Redeemable GIC	$ -	$ 125,000

There are no significant non-cash investing and financing transactions during the years ended August 31, 2024 and 2023.

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

1. NATURE OF BUSINESS AND GOING CONCERN

Light AI 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 (the "CSE") under the symbol "MOJO" and on the Frankfurt Exchange under symbol "FSE: 0HCN". The Company was engaged in identifying and evaluating potential business opportunities. Trading in the Company common shares was halted on June 19, 2024, pending review and approval of the proposed transaction described below by the CBOE. On December 13, 2024, the Company completed the transaction and changed its name from Mojave Brands Inc. to Light AI Inc. (Note 14).

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 August 31, 2024 of $63,481,513. 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 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.

<u>Proposed Transaction</u>

On January 31, 2024, the Company entered into a binding letter of intent ("LOI") with LAI SPV Corp. ("LAI SPV") and Light AI Inc. ("Light AI") under which the Company, LAI SPV and Light AI 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 entered into a Business Combination Agreement on June 19, 2024 and subsequently amended on September 9, 2024 and October 24, 2024, whereby the Company, Light AI and LAI SPV agreed to effect the combination of their respective businesses and assets by way of a series of steps or transactions including the Amalgamation (as described below).

In accordance with the terms and conditions of the Business Combination Agreement, the transaction will be completed by way of a three-cornered amalgamation (the "Amalgamation"), whereby, among other things: (i) 1479875 B.C. Ltd. ("Subco"), a wholly owned subsidiary of the Company incorporated for the purpose of effecting the transaction, will amalgamate with Light AI and LAI SPV to form an amalgamated company ("Amalco"); (ii) holders of common shares in the capital of Light AI will receive 3.89 common shares in the capital of the Company for each Light AI share held, and the Light AI shares will be cancelled; (iii) holders of common shares in the capital of LAI SPV will receive one common share in the capital of the Company for each LAI SPV share held, and the LAI SPV shares will be cancelled; (iv) Company share purchase warrants will be issued to the holders of Light AI share purchase warrants, and LAI SPV share purchase warrants in exchange and replacement for, and on an equivalent basis after giving effect to the applicable exchange ratio, such Light AI warrants and LAI SPV warrants will be cancelled; (v) Company options will be issued to holders of Light AI options and LAI SPV options in exchange and replacement for, and on an equivalent basis after giving effect to the applicable exchange ratio, such Light AI options and LAI SPV options will be cancelled; (vi) Amalco will become a wholly owned subsidiary of the Company; and (vii) the Company 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 Company. The Company will continue to carry on the business of Light AI. The Transaction constitutes an arms' length transaction.

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

Following completion of the Transaction, the former securityholders of Light AI will hold approximately 45% of the issued and outstanding company shares on a fully diluted basis, prior to the concurrent financing described below. Company shares issued to former Light AI shareholders shall be subject to escrow conditions as required by applicable securities laws, including CBOE Canada (formerly the Neo Exchange Inc.), and voluntary escrow conditions set out in the business combination agreement.

Upon closing of the Transaction and in accordance with the Business Combination Agreement: (i) each of the directors and officers of the Company will resign, and the board will be reconstituted to consist of four nominees of Light AI and one nominee of the Company; and (ii) Peter Whitehead, chief executive officer of Light AI, will be appointed as chief executive officer of the Company.

The transaction will constitute a fundamental change as such term is defined in the policies of the CSE, and completion thereof will be subject to a number of conditions customary for a transaction of this nature, including, but not limited to, the receipt of required regulatory and corporate approvals, approval of the amalgamation by the shareholders of Light AI and the Company, the board reconstitution, the completion of the concurrent financing, the delisting of the common shares on the CSE, and the listing of the common shares on CBOE Canada by way of a direct listing.

Concurrent Financings

In connection with the amalgamation, the Company will complete a non-brokered private placement for gross proceeds of at least $7,500,000. The terms of the concurrent financing will be determined in the context of the market. Finders' fees may be paid in connection with the concurrent financing within the maximum amounts permitted by the policies of the CBOE Canada.

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

Loan

In connection with the LOI, the Company advanced a loan of $250,000 to Light AI (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 Light AI will issue the Company 277,778 common share purchase warrants of Light AI (the "Light AI Warrants"). The Light AI Warrants will be exercisable for Light AI Shares at $0.90 per Light AI Share for a period of 48 months from the date of issuance. In addition, the Company has the right to convert the Loan into Light AI Shares at $0.90 per Light AI Share. As the loan was advanced to Light AI for the purpose of facilitating the Transaction, the Loan is classified as at fair value through profit or loss. Due to the lack of an active market for the Company's privately placed debt instrument and the on-demand nature of the Loan, the Company determined that the face value of the Loan is considered to be a reasonable approximation of its fair value at the issuance date and as of August 31, 2024.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated 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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 1479875 B.C. Ltd. The financial statements of the subsidiary 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 and its subsidiary.

Significant accounting estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS Accounting Standards 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Financial instruments

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification include cash and cash equivalents and loan receivable.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. None of the Company's financial assets are classified as subsequently measured at amortized cost.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. None of the Company's financial assets are classified as FVTOCI.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable, amounts due to related parties, and loan payable are classified at amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. During the year ended August 31, 2024, the Company recorded a provision for doubtful receivables totaling $nil (2023 - $1,465).

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Financial instruments (cont'd…)

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive loss.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued. Proceeds from unit placements are allocated between share and warrants using the residual method.

Earnings / loss per share

Basic earnings/loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the year.

Share-based payments

The Company's share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purpose (direct employee) or provides services similar to those performed by a direct employee.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes Option Pricing Model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

Share-based payments made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date of the goods and services are received.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial exporting purposes.

Deferred tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

New accounting standards

There were no new or amended IFRS pronouncements effective September 1, 2024 that are expected to impact the Company's consolidated financial statements in the future.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payables (Note 7)	$ 98,545	$ 450
Accrued liabilities	219,118	24,500
	$ 317,663	$ 24,950

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.

During the year ended August 31, 2023, the Company wrote off $103,869 stale dated accounts payable. Each of the stale dated accounts payable was statue barred since the liabilities were incurred. No attempts by any of the vendors to contact the Company with reference to overdue amounts has been received and annual corporate searches have never indicated any actions for recovery.

5. CEBA LOAN

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.

6. LOANS PAYABLE

On April 23, 2024, the Company received a loan of $25,000 from LAI SPV. The loan is unsecured, bears interest at a rate of 5% per annum, compounded monthly, and is payable on October 23, 2024. If the Company does not repay the loan by the due date, the principal amount together with the accrued interest will become subject to interest at the Bank of Canada rate plus 2% per annum, compounded monthly, until it is paid in full. Subsequent to August 31, 2024, the due date of the loan was extended to April 23, 2025. As at August 31, 2024, the Company accrued interest of $448 on the loan.

On June 26, 2024, the Company received a loan of $50,000 from LAI SPV. The loan is unsecured, bears interest at a rate of 5% per annum, compounded monthly, and is payable on October 23, 2024. If the Company does not repay the loan by the due date, the principal amount together with the accrued interest will become subject to interest at the Bank of Canada rate plus 2% per annum, compounded monthly, until it is paid in full. As at August 31, 2024, the Company accrued interest of $387 on the loan. Subsequent to August 31, 2024, the due date of the loan was extended to April 23, 2025.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due to related parties of $nil (August 31, 2023 - $31,913) are related to advances made by Peeyush Varshney and amounts payable to his father and a company controlled by his mother and are unsecured, non-interest bearing, and have no specific terms of repayment. During the year ended August 31, 2024, the Company repaid the amounts due to Peeyush Varshney and the amounts payable to his father and a company controlled by his mother of $31,913.

Included in accounts payable is $10,500 (2023 - $nil) in management fees owed to the Company's directors and officers. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

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 years ended August 31 is as follows:

	2024	2023
Management fees	$ 58,500	$ 90,000
Consulting fees	435,714	2,000
	$ 494,214	$ 92,000

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

The Company entered into the following transactions with related parties during the year ended August 31, 2024:

a) Incurred management fees of $27,500 (2023 - $nil) to the Chief Executive Officer ("CEO") of the Company.

b) Incurred management fees of $23,500 (2023 - $nil) to a company controlled by the Chief Financial Officer ("CFO") of the Company.

c) Incurred management fees of $7,500 (2023 - $90,000) to Varshney Capital Corp. a company partially controlled by Peeyush Varshney, a former director of the Company.

d) Incurred consulting fees of $435,714 (2023 - $nil) to Commodity Partners Inc., a company controlled by a significant shareholder of the Company, for capital market advisory services.

e) Incurred consulting fees of $nil (2023 - $2,000) to a company controlled by the former Chief Executive Officer ("CEO") of the Company and the former CEO of the Company.

f) Incurred rent expense of $nil (2023 - $15,000) to a company controlled by the mother of Peeyush Varshney, a former director of the Company.

8. SHARE CAPITAL

Authorized share capital

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

Issued share capital

At August 31, 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 consolidated financial statements have been adjusted and restated retrospectively to reflect the share consolidation.

Share issuance

During the year ended August 31, 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 $22,233 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, August 31, 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 years ended August 31, 2024 and 2023. There were no RSUs outstanding as at August 31, 2024 and 2023.

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, August 31, 2024	4,837,400	$ 0.26

9. SHARE-BASED PAYMENTS (cont'd…)

As at August 31, 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. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2024	2023
Loss before income taxes	$ (1,158,388)	$ (68,858)
Expected income tax recovery at statutory rates (27%)	$ (312,765)	$ (18,592)
Permanent differences and other	2,768	24,592
Effect of change in tax rate	(1,606,000)	-
Share issuance cost	(6,003)	-
Changes in tax benefits not recognized (recognized)	1,922,000	(6,000)
Deferred income tax recovery	$ -	$ -

Significant components of the Company's deferred income tax assets are as follows:

	2024	2023
Deferred income tax assets:		
Non-capital loss carry forwards	$ 5,866,000	$ 5,550,000
Allowable capital loss carry forwards	6,424,000	4,818,000
Share issuance costs	5,000	5,000
Unrecognized deferred income tax assets	$ 12,295,000	$ 10,373,000

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately $21,730,000 which will begin to expire in 2032.

11. FINANCIAL INSTRUMENTS

As of August 31, 2024, the carrying amounts of accounts payable, and loans payable 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. Cash and cash equivalents and loan receivable are carried at fair value.

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 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 Light AI 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 of August 31, 2024, the Company has a cash balance of $34,701 and current liabilities of $393,498. Liquidity risk is assessed as high. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The loans payable, originally due on October 23, 2024, have been extended to a new maturity date of April 23, 2025, subsequent to August 31, 2024.

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. Loans payable that are not repaid by the maturity date will be subject to interest at the Bank of Canada rate plus 2% per annum, compounded monthly, until it is paid in full. 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.

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 consolidated 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 year ended August 31, 2024.

	Level 1	Level 2	Level 3	Total
August 31, 2024				
Cash	$ 34,701	$ -	$ -	$ 34,701
Loan receivable	$ 250,000	$ -	$ -	$ 250,000
August 31, 2023				
Cash and cash equivalents	$ 690,178	$ -	$ -	$ 690,178

13. 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.

14. EVENTS AFTER THE REPORTING PERIOD

1) Offering

On September 25, 2024, the Company signed an agreement to appoint Ventum Financial Corp. as the lead agent and sole bookrunner on behalf of a syndicate of agents (collectively the "Agents") in respect of a proposed public offering of a minimum of 18,181,818 units and a maximum of 27,272,727 units at $0.55 per unit to raise gross proceeds of a minimum of $10 million and a maximum of $15 million (the "Offering"). On December 5, 2024, the Company and its agents agreed to increase the maximum size of the proposed public offering from 27,272,727 units to 29,248,000 units with maximum gross proceeds of $16,086,400. Each unit will comprise one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at an exercise price of $0.80 per share for a period of 18 months from the closing of the Offering. In consideration for the Agents' services, the Company has agreed to pay to the Agents: (i) a cash fee equal to 7% of the aggregate gross proceeds; (ii) common share purchase warrants equal to 7% of the units sold in the offering ("Broker Warrant"); and (iii) a corporate finance fee of $200,000 plus applicable taxes, payable at closing. Each Broker Warrant will entitle the holder thereof to acquire one common share at $0.55 per share for a period of 18 months from closing. The Company is entitled to sell units to certain purchasers designated by the Company on the president's list to a maximum of $3,000,000. The Company will pay to the Agents a reduced cash fee equal to 3.5% of the aggregate gross proceeds from the president's list purchasers and Broker Warrants equal to 3.5% of the units sold to the president's list purchasers. The Company will pay reasonable fees and expenses of the Agent's legal counsel up to a maximum of $250,000 and US$20,000. The Company will grant the Agents an option (the "Over-Allotment Option") to increase the size of the Offering by up to 15% of the units sold under the Offering. The maximum number of units issuable pursuant to the Overallotment Option is 4,387,200 units for aggregate gross proceeds of approximately $2,412,960, assuming the offering is fully subscribed and the overallotment option is exercised in full for the units.

In connection with the Transaction, the Company intends to delist the common shares on the Canadian Securities Exchange and list the common shares on CBOE Canada. Listing is subject to the Company fulfilling all of the listing requirements of CBOE Canada, which cannot be guaranteed and there is no assurance that CBOE Canada will approve such listing application. The Company intends to use the net proceeds from the Offering for operations, marketing, working capital and general corporate purposes, as set forth in the preliminary prospectus.

2) Business Combination Agreement

As disclosed in Note 1, on June 19, 2024 the Company entered into the Business Combination Agreement, subsequently amended on September 9, 2024 and October 24, 2024, whereby the Company, Light AI and LAI SPV agreed to effect the combination of their respective businesses and assets.

On December 13, 2024, the Company completed the amalgamation and the terms and conditions of the amalgamation were as follows: (i) 1479875 B.C. Ltd. ("Subco"), a wholly owned subsidiary of the Company incorporated for the purpose of effecting the transaction, amalgamated with Light AI and LAI SPV to form Light AI Technologies Inc.; (ii) holders of common shares in the capital of Light AI received 3.89 common shares in the capital of the Company for each Light AI share held, and the Light AI shares were cancelled; (iii) holders of common shares in the capital of LAI SPV received one common share in the capital of the Company for each LAI SPV share held, and the LAI SPV shares were cancelled; (iv) Company share purchase warrants were issued to the holders of Light AI share purchase warrants, and LAI SPV share purchase warrants, in exchange and replacement for, and on an equivalent basis after giving effect to the applicable exchange ratio, such Light AI warrants and LAI SPV warrants were cancelled; (v) Company options were issued to holders of Light AI options and LAI SPV options in exchange and replacement for, and on an equivalent basis after giving effect to the applicable exchange ratio, such Light AI options and LAI SPV options were cancelled; (vi) Light AI Technologies Inc. became a wholly owned subsidiary of the Company; and (vii) the Company changed its name to Light AI Inc. The Company will continue to carry on the business of Light AI.

14. EVENTS AFTER THE REPORTING PERIOD (cont'd…)

3) Long Form Prospectus

On October 29, 2024, the Company filed and obtained a receipt for a preliminary prospectus in each of the provinces and territories of Canada, other than Quebec, in connection with the Offering. On December 17, 2024, the Company filed and obtained a final receipt for its long form prospectus.

4) Loans Payable

Subsequent to August 31, 2024, the Company received loan advances totaling $81,000 from LAI SPV. The loan is unsecured, bears interest at a rate of 5% per annum, compounded monthly, and is payable on April 8, 2025. If the Company does not repay the loan by the due date, the principal amount together with the accrued interest will become subject to interest at the Bank of Canada rate plus 2% per annum, compounded monthly, until it is paid in full.