
LIGHT AI INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2025 AND 2024

LIGHT AI INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	Note	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
		\$	\$
ASSETS			
CURRENT			
Cash and cash equivalents		11,862,083	15,162,048
Accounts receivable		21,365	4,050
Tax credits receivable	5	499,382	499,382
Goods and services tax recoverable		244,386	138,876
Prepaid and deposits		2,343,298	1,321,889
		14,970,514	17,126,245
EQUIPMENT	6	1,180	1,368
TOTAL ASSETS		14,971,694	17,127,613
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	11	2,339,121	2,236,163
Interest payable on convertible debentures	8	13,152	245,514
TOTAL LIABILITIES		2,352,273	2,481,677
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	9	32,933,071	30,847,209
CONTRIBUTED SURPLUS	10	11,427,812	11,249,719
DEFICIT		(31,741,462)	(27,450,992)
TOTAL SHAREHOLDERS' EQUITY		12,619,421	14,645,936
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,971,694	17,127,613

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENT (Note 14)

Approved and authorized for issue on behalf of the Board on May 15, 2025.

"Steve Semmelmayer"

Director

"Mark Attanasio"

Director

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

LIGHT AI INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

	Note	March 31, 2025 \$	March 31, 2024 \$
RESEARCH AND DEVELOPMENT EXPENSES			
Research and prototype development	11	633,084	334,000
Product development		562,525	567,595
Travel		21,634	17,322
TOTAL RESEARCH AND DEVELOPMENT		(1,217,243)	(918,917)
MARKETING AND INVESTOR RELATIONS			
Marketing and investor relations	11	2,368,572	305,254
Travel		43,267	34,644
TOTAL MARKETING AND INVESTOR RELATIONS		(2,411,839)	(339,898)
GENERAL AND ADMINISTRATIVE			
Accounting and audit	11	256,608	52,395
Accretion and interest	8	-	43,680
Consulting		2,509	-
Depreciation	6	188	418
Interest on convertible debentures	8	-	18,404
Interest on short-term debts and bank charges	7	3,029	23,561
Legal fees		188,717	54,150
Rent		7,400	3,600
Share-based payments	10	134,305	308,994
Transfer agent, regulatory and filing fees		80,053	-
Travel		21,634	17,319
TOTAL GENERAL AND ADMINISTRATIVE		(694,443)	(522,521)
LOSS BEFORE OTHER ITEMS		(4,323,525)	(1,781,336)
Foreign exchange gain (losses)		15,740	(51,834)
Other income		17,315	8,881
TOTAL OTHER ITEMS		33,055	(42,953)
NET LOSS AND COMPREHENSIVE LOSS		(4,290,470)	(1,824,289)
LOSS PER SHARE – BASIC AND DILUTED		(0.04)	(0.20)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		117,364,946	8,967,170

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

LIGHT AI INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Unaudited - Expressed in Canadian dollars)

	Number of Common Shares	Amount	Subscriptions Received in Advance	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2023	7,959,401	10,264,578	-	2,918,939	-	(14,350,059)	(1,166,542)
Shares issued for cash, net of share issue costs	3,423,907	822,635	-	-	-	-	822,635
Shares to be issued	-	-	32,000	-	-	-	32,000
Equity component of convertible debentures	-	-	-	-	252,013	-	252,013
Finders' warrants on convertible debentures	-	-	-	6,621	-	-	6,621
Warrants issued for cash	-	-	-	5,800	-	-	5,800
Share-based payments	-	-	-	308,994	-	-	308,994
Net loss for the period	-	-	-	-	-	(1,824,289)	(1,824,289)
Balance, March 31, 2024	11,383,308	11,087,213	32,000	3,240,354	252,013	(16,174,348)	(1,562,768)
Shares issued for cash, net of share issue costs	33,561,365	11,307,275	(32,000)	6,593,886	-	-	17,869,161
Equity component of convertible debentures	-	-	-	-	65,390	-	65,390
Conversion of convertible debentures	4,760,024	5,176,575	-	-	(317,403)	-	4,859,172
Transaction restructuring	(9,466,083)	-	-	-	-	-	-
Shares issued for reverse takeover	73,235,057	3,276,146	-	1,151,352	-	-	4,427,498
Finders' warrants on convertible debentures	-	-	-	4,983	-	-	4,983
Warrants issued for cash	-	-	-	2,200	-	-	2,200
Share-based payments	-	-	-	256,944	-	-	256,944
Net loss for the period	-	-	-	-	-	(11,276,644)	(11,276,644)
Balance, December 31, 2024	113,473,671	30,847,209	-	11,249,719	-	(27,450,992)	14,645,936
Shares issued for cash, net of share issue costs	2,757,000	1,332,368	-	-	-	-	1,332,368
Shares issued on warrant exercises	1,891,164	797,282	-	-	-	-	797,282
Fair value of agents' warrants	-	(43,788)	-	43,788	-	-	-
Share-based payments	-	-	-	134,305	-	-	134,305
Net loss for the period	-	-	-	-	-	(4,290,470)	(4,290,470)
Balance, March 31, 2025	118,121,835	32,933,071	-	11,427,812	-	(31,741,462)	12,619,421

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

LIGHT AI INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

	March 31, 2025	March 31, 2024
	\$	\$
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(4,290,470)	(1,824,289)
Adjustments for non-cash items:		
Accretion and interest on convertible debentures	-	62,084
Accrued interest income	(17,315)	-
Depreciation	188	418
Interest on short-term debts	-	22,159
Share-based payments	134,305	308,994
Changes in non-cash working capital balances:		
Accounts receivable	-	20,000
Goods and services tax recoverable	(105,510)	(8,154)
Prepaid and deposits	(1,021,409)	(20,507)
Accounts payable and accrued liabilities	102,958	200,441
Cash used in operating activities	(5,197,253)	(1,238,854)
FINANCING ACTIVITIES		
Shares issued for cash, net of share issue costs	1,332,368	822,635
Share subscriptions received in advance	-	32,000
Proceeds from warrant exercises	797,282	-
Convertible debenture interest payments	(232,362)	-
Net proceeds from issuance of warrants	-	5,800
Net proceeds from convertible debentures	-	3,083,219
Proceeds from short-term debts and loans	-	450,131
Repayment of short-term debt	-	(707,657)
Cash provided by financing activities	1,897,288	3,686,128
CHANGE IN CASH	(3,299,965)	2,447,274
CASH, BEGINNING	15,162,048	326,342
CASH, END	11,862,083	2,773,616
Supplemental disclosures with respect to cash flows:		
Interest paid	232,362	-
Income taxes paid	-	-

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

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Light AI Inc. (the “Company”) was incorporated in British Columbia on November 12, 2010. The Company was a reporting issuer in British Columbia, Ontario and Alberta, and its common shares were traded on the Canadian Securities Exchange (the “CSE”) under the symbol “MOJO” and on the Frankfurt Exchange under symbol “FSE: 0HCN”. Trading in the Company common shares was halted on June 19, 2024 until January 8, 2025. On January 3, 2025, the Company received final approval by Cboe Canada Inc. (“Cboe Canada”) to list the Company’s common shares on Cboe Canada under the symbol “ALGO”. On December 13, 2024, the Company closed the Transaction (as defined below) and changed its name from Mojave Brands Inc. to Light AI Inc. The Company is currently focused on the development of healthcare solutions to combat disease and reduce the use and misuse of antibiotics. The registered office and corporate address of the Company is 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and obtain additional capital, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations.

The Company is currently pre-revenue and therefore the Company’s ability to continue as a going concern is dependent upon its ability to continue to obtain borrowings from third parties or raise capital, sufficient to meet current and future obligations and to complete development of its product. There can be no assurance that the Company will receive sufficient additional financing to complete the product, or that the product will be commercially successful. The Company has an accumulated deficit of \$31,741,462 (December 31, 2024 - \$27,450,992). These conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

Business Combination Transaction

On January 31, 2024, the former Mojave Brands Inc. (the “Former Mojave”) entered into a binding letter of intent (“LOI”) with LAI SPV Corp. (“LAI SPV”) and the former Light AI Inc. (the “Former Light AI”) under which Former Mojave, LAI SPV and the Former 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 Former Mojave, LAI SPV and the Former Light AI agreed to effect the combination of their respective businesses and assets by way of a series of steps or transactions including the amalgamation (the “Amalgamation” as described below).

Former Light AI is an emerging healthcare technology company in the research and development stage of the first version of a commercial software specializing in medical imaging designed to differentiate between bacterial and viral infections at point-of-care (“POC”). Former Light AI’s artificial intelligence (“AI”) uses advanced algorithms to identify key patterns in patient images to produce an effective probability score. Its technology utilizes smartphones with integrated cameras to capture images, which are then analyzed in order to differentiate between viral and bacterial infections using machine learning (“ML”) algorithms and a proprietary database of images gathered since 2016.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Business Combination Transaction (continued)

LAI SPV was incorporated on December 28, 2023 to primarily raise capital for funding the Former Light AI prior to the Transaction.

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 Former Mojave incorporated for the purpose of effecting the Transaction, amalgamated with the Former Light AI and LAI SPV (together, "Opco"), which are considered as one single entity for accounting purposes, to form Light AI Technologies Inc. ("Amalco"); (ii) holders of common shares in the capital of the Former Light AI received 3.89 common shares in the capital of the Company for each Former Light AI share held, and the Former 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) the Company's share purchase warrants were issued to the holders of the Former 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 Former Light AI warrants and LAI SPV warrants were cancelled; (v) the Company's options were issued to holders of Former 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 Former 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 the Opco.

Upon closing of the Amalgamation, the shareholders of the Opco had control of the combined entity, and as a result, the Transaction is considered a reverse acquisition of the Former Mojave by the Opco. Based on the guidance of IFRS 3, Business Combinations, it has been determined that the Opco was the accounting acquirer, and the Former Mojave was the accounting acquiree. Accordingly, these consolidated financial statements are a continuation of the consolidated financial statements of the Opco, except with regard to authorized and issued share capital, which is that of the Former Mojave.

Offering

On September 25, 2024, the Company signed an engagement agreement to appoint Ventum Financial Corp. ("Ventum") as the lead agent and sole bookrunner on behalf of a syndicate of agents in respect of a proposed public offering of a minimum of 18,181,818 units of the Company (each, a "Unit") 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 Ventum agreed to increase the maximum size of the 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 (each, a "Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one additional Share at an exercise price of \$0.80 per Share for a period of 18 months from the closing of the Offering.

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.

LIGHT AI INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)**

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)Offering (continued)

On December 30, 2024, the Company closed the first of two tranches of the Offering by issuing 30,878,200 Units at \$0.55 per Unit for aggregate gross proceeds of \$16,983,010, encompassing the primary offering of 29,248,000 Units for gross proceeds of \$16,086,400 and the partial exercise of the Over-Allotment Option (as defined below) amounting to 1,630,200 Units for gross proceeds of \$896,610. The Offering was completed pursuant to an agency agreement dated December 17, 2024 (the "Agency Agreement") between the Company and a syndicate of agents including Ventum, as lead agent and sole bookrunner, Haywood Securities Inc. and Beacon Securities Limited (collectively, the "Agents"). Pursuant to the Agency Agreement, the Company granted the Agents an over-allotment option (the "Over-Allotment Option") exercisable, in whole or in part, at the sole discretion of the Agents, to sell up to an additional 4,387,200 Units for up to 30 days following closing of the Offering. The Agents have partially exercised the Over-Allotment Option for 1,630,200 Units. The Company paid the Agent a cash commission of \$1,006,076, a corporate finance fee of \$200,000 and Agent's legal fees and reimbursements of \$333,592. The Company paid/accrued its corporate legal counsel fees of \$329,867 and other expenses of \$32,466 related to the Offering. Per the Agency Agreement, the Company issued 1,829,230 Agent Warrants at an exercise price of \$0.55 and expiring on June 30, 2026.

On January 8, 2025, the Company closed the second of two tranches of the Offering by issuing 2,757,000 Units at \$0.55 per Unit for aggregate gross proceeds of \$1,516,350 (Notes 9 and 10). The Company paid the Agent a cash commission of \$106,145, Agent's legal fees and reimbursements of \$37,752 and incurred corporate legal counsel fees of \$31,335 and other expenses of \$8,750 related to the Offering. Per the Agency Agreement, the Company issued 192,990 Agent Warrants at an exercise price of \$0.55 and expiring on July 8, 2026.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2024 and 2023, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied in the Company's audited financial statements for the years ended December 31, 2024 and 2023. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, have been prepared using the accrual basis of accounting except for cash flow information, and are presented in Canadian dollars, unless specifically indicated otherwise, which is the Company's functional currency.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Certain comparative figures have been reclassified to conform to the current presentation.

3. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

4. REVERSE TAKEOVER

On December 13, 2024, the Company completed a “three-cornered” amalgamation with Opco and Subco. As described in Note 1, upon closing of the Amalgamation, the Company acquired legal control of Opco; however, as the shareholders of Opco gained voting control of the Former Mojave pursuant to the issuance of the Company’s common shares to the shareholders of Opco, representing a significant majority interest, Opco is determined to be the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of the Former Mojave by Opco. As the Former Mojave does not meet the definition of a business, the Transaction is accounted for as a reverse acquisition of net assets, pursuant to IFRS 2, Share-based Payment.

The Amalgamation resulted in an issuance of 73,235,057 common shares of the Company to Opco shareholders, an issuance of 1,437,500 share purchase warrants with an exercise price of \$0.60 to Former Mojave warrant holders, and an issuance of 3,399,900 share purchase warrants with an exercise price of \$0.11 to Former Mojave warrant holders (Note 9). In connection with the reverse takeover, the Company also incurred cash transaction fees of \$571,492. Cash acquired from the reverse takeover was \$9,287, net of cash transaction fees, resulting in a net cash payment of \$562,205. The acquisition date fair value of the consideration transferred by Opco for its interest in the Company of \$4,998,990 is determined based on the fair value of the equity interest Opco would have had to give the owners of the Former Mojave, before the reverse acquisition, to provide the same percentage of equity interest in the combined entity that results from the reverse acquisition.

During the year ended December 31, 2024, listing expense related to the reverse takeover was calculated as follows:

	Amount \$
Fair value of common shares issued to Opco Shareholders	3,276,146
Fair value of warrants deemed issued to Former Mojave warrant holders	1,151,352
Transaction costs	571,492
Total fair value of consideration	4,998,990
Fair value of assets acquired and liabilities assumed:	
Cash	9,287
Other assets	680,145
Accounts payable and accrued liabilities	(684,018)
Other liabilities	(158,560)
Acquisition date fair value of net liabilities assumed	(153,146)
Listing expense	5,152,136

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

4. REVERSE TAKEOVER (continued)

The fair value of 1,437,500 share purchase warrants deemed issued to Former Mojave warrant holders was \$163,044 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.11%
Expected life	0.58 years
Expected volatility	162%
Expected dividends	0%

The fair value of 3,399,900 share purchase warrants deemed issued to Former Mojave warrant holders was \$988,308 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.03%
Expected life	1.01 years
Expected volatility	192%
Expected dividends	0%

5. INVESTMENT TAX CREDITS

The Company may make claims under Canada Scientific Research and Experimental Development program ("SR&ED"), which have been reviewed and approved by the Canada Revenue Agency to date. Included in income for the year ended December 31, 2024 are estimated tax incentives of \$499,382 (December 31, 2023 - \$321,751).

As at March 31, 2025, \$499,382 (December 31, 2024 - \$499,382) remained as a tax credit receivable from the Canada Revenue Agency.

6. EQUIPMENT

COSTS	\$
Balance, December 31, 2023	29,501
Additions	-
Balance, December 31, 2024 and March 31, 2025	29,501
ACCUMULATED DEPRECIATION	\$
Balance, December 31, 2023	26,462
Additions	1,671
Balance, December 31, 2024	28,133
Additions	188
Balance, March 31, 2025	28,321
NET BOOK VALUE	
Balance, December 31, 2024	1,368
Balance, March 31, 2025	1,180

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

7. SHORT-TERM DEBTS AND LOAN ADVANCES

Former Light AI

During the year ended December 31, 2024, the Company received \$200,131 in the form of promissory notes from third parties and during the year ended December 31, 2023, the Company received \$490,000 in the form of promissory notes from third parties (together, the "Promissory Notes"). \$630,131 of the Promissory Notes earn interest at the fixed rate of interest of nil per annum applicable up to the date demand for payment is made and following demand for payment, interest shall accrue and be payable at a rate of 12% per annum calculated monthly, not in advance. \$60,000 of the Promissory Note earns no interest and is payable within 12 months from July 6, 2023. During the year ended December 31, 2024, the Company repaid a total of \$707,657 for all promissory notes having a principal balance of \$690,131 and accrued interest of \$17,526.

During the three months ended March 31, 2025, the Company recorded \$Nil (2024 - \$22,519) in interest expense related to the Promissory Notes.

Former Mojave

On February 2, 2024, pursuant to the LOI, the Former Mojave advanced \$250,000 to the Former Light AI through a promissory note dated February 2, 2024. The promissory note is payable on demand and is non-interest bearing until such time as the Transaction is terminated, and upon such event will then earn 24% per annum from date of advance until paid. Upon completion of the Transaction, the \$250,000 was recorded as an intercompany balance and was eliminated on consolidation at December 31, 2024 and at March 31, 2025.

Former LAI SPV

During the three months ended March 31, 2025, LAI SPV advanced funds totaling \$Nil (2024 - \$2,700,000) to the Former Light AI pursuant to the following loan agreements:

- i. \$1,400,000 pursuant to a loan agreement dated February 29, 2024; and
- ii. \$1,300,000 pursuant to a loan agreement dated March 19, 2024.

(Collectively the "Loans")

The Loans were due on demand and were non-interest bearing, until such time as the Transaction is terminated. Upon such event, the Loans were to commence accruing interest at 24% per annum, compounded annually, from their respective effective dates of February 29, 2024 and March 19, 2024 until such time as the Loans are paid in full. As at March 31, 2025, all intercompany balances were eliminated on consolidation.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES

Former Light AI

On August 16, 2023, the Former Light AI issued unsecured convertible debentures (the "Debentures") to third parties for a total of \$500,000. The Debentures accrue interest at 6% per annum and compound quarterly. Effective October 13, 2023, the Debenture terms were amended and the Debentures mature on the earlier of (i) the date of the closing of the Transaction; or (ii) the date of termination of the Transaction between the Former Light AI and the respective third parties. Upon the closing of the Transaction, the principal amounts and accrued and unpaid interest shall be automatically converted into common shares of the Former Light AI at a conversion rate of \$0.90 per Former Light AI share. On August 31, 2024, the Former Light AI and the Debentures holders mutually agreed to mandatorily convert the principal balance of \$500,000, plus \$32,248 in accrued interest, into 591,386 shares of Former Light AI at a conversion rate of \$0.90, immediately prior to the closing of the Transaction (Note 9).

Upon the completion of the Amalgamation, the 591,386 Former Light AI shares were exchanged for 2,300,491 common shares in the capital of the Company using a share exchange ratio of 3.89:1, valued at \$805,172. During the three months ended March 31, 2025, accretion and interest expense of \$Nil (2024 - \$7,769) relating to the Debentures was recorded.

LAI SPV

- i. On February 22, 2024, LAI SPV closed the first tranche of its non-brokered private placement of unsecured convertible debentures of LAI SPV for total gross proceeds of \$1,577,000. In connection with the closing of the first tranche, LAI SPV paid finders' fees in the amount of \$60,000, legal costs of \$10,202 and issued 240,000 broker warrants exercisable at \$0.25 per LAI SPV share for two years from the closing date of the Transaction. The fair value of the brokers' warrants was \$682 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.86%
Expected life	2.77 years
Expected volatility	100%
Expected dividends	0%

- ii. On March 15, 2024, LAI SPV closed the second tranche of its non-brokered private placement of unsecured convertible debentures of LAI SPV for total gross proceeds of \$1,502,500. In connection with the closing of the second tranche, LAI SPV paid finders' fees in the amount of \$38,700, legal costs of \$9,093 and issued 154,800 broker warrants exercisable at \$0.25 per LAI SPV share for two years from the closing date of the Transaction. The fair value of the brokers' warrants was \$5,940 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.86%
Expected life	2.71 years
Expected volatility	100%
Expected dividends	0%

As at March 31, 2024, the Company received additional gross proceeds of \$140,000 relating to a third tranche of its non-brokered private placement of unsecured convertible debentures of LAI SPV that closed on April 18, 2024. The Company recorded \$18,286 in additional debenture issue costs for legal.

8. CONVERTIBLE DEBENTURES (continued)

The LAI SPV debentures mature three years from the date of issuance and bear interest at a rate of 8% per annum calculated and payable on the earlier of the maturity date or the date of any conversion of the entire principal amount of the debentures to common shares of LAI SPV, at which time any accrued and unpaid interest will be paid in cash. Upon satisfaction or waiver of the conditions to the completion of the Transaction, the principal amount of the debentures shall convert automatically into shares at a conversion price of \$0.25 per LAI SPV share.

During the three months ended March 31, 2025, no accretion or interest expense (2024 - \$35,911 and \$18,404 in accretion and interest expense, respectively) relating to the LAI SPV Debentures was recorded. During the year ended December 31, 2024, \$494,292 and \$245,514 in accretion and interest, respectively, were recorded on the LAI SPV debentures. During the three months ended March 31, 2025, the Company paid \$232,362 of the Debenture interest payable, leaving a balance of \$13,152 outstanding at March 31, 2025.

Immediately prior to the completion of the Amalgamation, \$4,054,000 in principal amount for LAI SPV convertible debentures were converted at \$0.25 per LAI SPV common share, into 16,216,000 LAI SPV common shares and then subsequently, exchanged into 16,216,000 common shares in the capital of the Company using a share exchange ratio of 1:1 basis.

9. SHARE CAPITAL

Authorized:

Unlimited common voting shares, without par value.

As at March 31, 2025, there were 118,121,835 common shares issued and outstanding.

During the three months ended March 31, 2025, the Company realized the following share transactions:

- 1) On January 8, 2025, the Company closed the second of two tranches of the Offering by issuing 2,757,000 units of the Company at \$0.55 per unit for aggregate gross proceeds of \$1,516,350. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at \$0.80 per common share until July 8, 2026. The Company paid the Agent a cash commission of \$106,145 and Agent's legal fees and reimbursements of \$37,752. The Company paid its corporate legal counsel fees of \$31,335 and other related expenses of \$8,750. Per the Agency Agreement, the Company issued 192,990 Agent Warrants at an exercise price of \$0.55 and expiring on July 8, 2026; and
- 2) Issued 1,891,164 common shares for gross proceeds of \$797,282 relating to the exercise of warrants.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

9) SHARE CAPITAL (continued)

During the three months ended March 31, 2024, the Company realized the following share transactions:

- 1) Issued 771,208 common shares (3,000,000 LAI SPV shares at \$0.001 per LAI SPV share) for gross proceeds of \$3,000;
- 2) Issued 514,139 common shares (2,000,000 LAI SPV shares at \$0.001 per LAI SPV share) for gross proceeds of \$40,000;
- 3) Issued 367,352 common shares (1,429,000 units ("Unit") at \$0.07 per Unit, with each Unit comprising one common share of LAI SPV and one-half of one LAI SPV share purchase warrant) for gross proceeds of \$100,030; and
- 4) Issued 1,771,208 common shares (6,890,000 LAI SPV shares at shares at \$0.10 per LAI SPV share) for gross proceeds of \$689,000. The Company recorded \$9,395 in shares issue costs relating to this financing.
- 5) Received \$32,000 in subscriptions for 82,263 common shares (320,000 LAI SPV shares at \$0.10 per LAI SPV share – a subsequent closing).

During the period from April 1, 2024 to December 31, 2024, the Company realized the following share transactions:

- 1) Pursuant to completing the Amalgamation, on December 13, 2024, the Company issued 73,235,057 common shares with a fair value of \$3,276,146 to the Opco shareholders (Note 4);
- 2) Prior to completing the Amalgamation, convertible debentures of Former Light AI were converted into 591,386 Former Light AI shares valued at \$805,172 (Note 8);
- 3) Prior to completing the Amalgamation, convertible debentures of LAI SPV were converted into 16,216,000 LAI SPV shares (equivalent to 4,168,638 Former Light AI shares) valued at \$4,371,403 (Note 8);
- 4) LAI SPV completed the following financings during the period from April 1, 2024 to December 12, 2024:
 - 1) Issued 822,571 common shares (3,199,800 LAI SPV shares at \$0.10 per LAI SPV share) for gross proceeds of \$319,980, of which \$32,000 was received prior to March 31, 2024. The Company recorded \$33,028 in share issue costs relating to this financing; and
 - 2) Issued 1,860,594 (7,237,712 LAI SPV shares at \$0.35 per LAI SPV share) for gross proceeds of \$2,533,200.
- 5) On December 30, 2024, the Company closed the first of two tranches of the Offering by issuing 30,878,200 units of the Company at \$0.55 per unit for aggregate gross proceeds of \$16,983,010, of which \$6,175,600 was allocated to the warrants under the residual value method. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at \$0.80 per common share until June 30, 2026 (Note 10). The Company paid the Agent a cash commission of \$1,006,076, a corporate finance fee of \$200,000 and Agent's legal fees and reimbursements of \$333,592. The Company paid/accrued its corporate legal counsel fees of \$329,867 and other expenses of \$32,466 related to the Offering. Per the Agency Agreement, the Company issued 1,829,230 Agent Warrants at an exercise price of \$0.55 and expiring on June 30, 2026.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

9) SHARE CAPITAL (continued)

Escrow Agreement

In connection with the closing of the reverse takeover, the Company entered into an escrow agreement with the transfer agent. As at March 31, 2025, an aggregate of 7,090,195 (December 31, 2024 – 9,453,591) common shares were held in escrow. The common shares will be released from escrow pursuant to the following release schedule:

- 1) 2,363,396 common shares, representing 1/4 of escrowed shares, will be released from escrow on January 8, 2025 (released);
- 2) 2,363,397 common shares, representing 1/3 of remaining escrowed shares, will be released from escrow on July 8, 2025;
- 3) 2,363,397 common shares, representing 1/2 of remaining escrowed shares, will be released from escrow on January 8, 2026; and
- 4) 2,363,401 common shares, representing the remaining escrowed shares, will be released from escrow on July 8, 2026.

Contractual Agreement

Pursuant to contractual agreements with the Company, as at March 31, 2025 there were 63,696,854 common shares restricted from trading with the following release schedule:

- 1) 10,789,767 common shares will be released on May 8, 2025;
- 2) 937,347 common shares will be released on June 8, 2025;
- 3) 14,154,199 common shares will be released on July 8, 2025;
- 4) 937,347 common shares will be released on August 8, 2025;
- 5) 937,347 common shares will be released on September 8, 2025;
- 6) 10,571,951 common shares will be released on October 8, 2025;
- 7) 937,347 common shares will be released on November 8, 2025;
- 8) 937,347 common shares will be released on December 8, 2025;
- 9) 12,808,956 common shares will be released on January 8, 2026;
- 10) 937,360 common shares will be released on February 8, 2026;
- 11) 400,000 common shares will be released on April 8, 2026;
- 12) 2,636,964 common shares will be released on July 8, 2026;
- 13) 2,236,964 common shares will be released on January 8, 2027;
- 14) 2,236,964 common shares will be released on July 8, 2027; and
- 15) 2,236,994 common shares will be released on January 8, 2028.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10) STOCK OPTIONS AND WARRANTS

Stock Options

After the completion of the Amalgamation, the Company adopted an Equity Incentive Plan (the "Plan") under which it is authorized to grant options to its directors, officers, employees, management company employees and consultants enabling them to acquire up to 15% of the issued and outstanding shares of the Company. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed ten (10) years from the date of grant. Vesting, if any, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Company.

Pursuant to the escrow agreement, as at March 31, 2025, there were 2,168,675 stock options held in escrow. The stock options will be released from escrow with the following release schedule: 542,168 stock options released on January 8, 2025 (released), 542,168 stock options released on July 8, 2025, 542,168 stock options released on January 8, 2026 and 542,171 stock options released on July 8, 2026. The following is a summary of the Company's stock option activity during the three months ended March 31, 2025 and the year ended December 31, 2024:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2023	-	-
Replaced to Opco option holders	7,113,945	\$0.33
Outstanding, December 31, 2024	7,113,945	\$0.33
No Activity ⁽¹⁾	-	-
Outstanding, March 31, 2025	7,113,945	\$0.33

⁽¹⁾ See note below related to stock options granted but pending shareholder approval.

Shareholder Approval

On January 15, 2025, the Company granted 5,573,000 stock options that vest quarterly to directors, officers, employees and consultants having an exercise price of \$0.70 and expiring on January 15, 2035. Additionally, the Company granted 1,750,000 deferred share units ("DSUs") to directors of the Company. The stock options and DSUs are subject to shareholders' approval of the Plan (Note 11). The stock options commence vesting on the date the Company obtains shareholders' approval of the Plan.

Former Light AI

During the three months ended March 31, 2024, the Former Light AI granted 630,000 stock options to an employee of the Former Light AI with an exercise price of \$1.40 expiring on January 1, 2029. A total of 157,500 stock options vested on the grant date and the remaining 472,500 stock options vest as follows: 157,500 stock options vest one year after the grant date, 157,500 stock options vest two years after the grant date and 157,500 stock options vest three years after the grant date.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10) STOCK OPTIONS AND WARRANTS (continued)

Former Light AI and the employee agreed to cancel 472,500 of the 630,000 stock options. The fair value of the 157,500 fully-vested stock options was \$280,845 and recorded as share-based payments during the three months ended March 31, 2024. The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

	2025	2024
Risk free interest rate	-	3.09%
Expected life	-	5 years
Expected volatility	-	111%
Expected dividends	-	0%

Pursuant to the Amalgamation, on December 13, 2024, the Company replaced the following:

- 1) 1,143,000 stock options held by Former Light AI stock option holders having an exercise price of \$1.40 and expiring July 1, 2028 with 4,446,270 stock options of the Company with an exercise price of \$0.36 and having an expiry date of July 1, 2028; and
- 2) 157,500 stock options held by Former Light AI stock option holders having an exercise price of \$1.40 and expiring January 1, 2029 with 612,675 stock options of the Company with an exercise price of \$0.36 and having an expiry date of January 1, 2029.

LAI SPV

On April 1, 2024, LAI SPV granted 600,000 fully-vested stock options to officers of LAI SPV with an exercise price of \$0.10 expiring two years following a change of control (i.e. the closing date of the Transaction). The fair value of the 600,000 stock options was \$36,434 and recorded as share-based payments. The fair value of \$36,434 was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.90%
Expected life	2.67 years
Expected volatility	100%
Expected dividends	0%

On June 19, 2024, LAI SPV granted 755,000 fully-vested stock options to officers of LAI SPV with an exercise price of \$0.25 expiring two years following a change of control (i.e. the closing date of the Transaction). The fair value of the 755,000 stock options was \$28,889 and recorded as share-based payments. The fair value of \$28,889 was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.55%
Expected life	2.45 years
Expected volatility	100%
Expected dividends	0%

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10. STOCK OPTIONS AND WARRANTS (continued)

On September 3, 2024, LAI SPV granted 400,000 fully-vested stock options to officers of LAI SPV with an exercise price of \$0.35 expiring two years following a change of control (i.e. the closing date of the Transaction). The fair value of the 400,000 stock options was \$78,611 and recorded as share-based payments. The fair value of \$78,611 was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.11%
Expected life	2.24 years
Expected volatility	100%
Expected dividends	0%

On October 17, 2024, LAI SPV granted 300,000 fully-vested stock options to officers of LAI SPV with an exercise price of \$0.35 expiring two years following a change of control (i.e. the closing date of the Transaction). The fair value of the 300,000 stock options was \$57,538 and recorded as share-based payments. The fair value of \$57,538 was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.98%
Expected life	2.12 years
Expected volatility	100%
Expected dividends	0%

Pursuant to the Amalgamation, on December 13, 2024, the Company replaced the following:

- 1) 600,000 stock options held by LAI SPV option holders having an exercise price of \$0.10 and expiring two years following a change of control with 600,000 stock options of the Company with an exercise price of \$0.10 and having an expiry date of December 13, 2026;
- 2) 755,000 stock options held by LAI SPV stock option holders having an exercise price of \$0.25 and expiring two years following a change of control with 755,000 stock options of the Company with an exercise price of \$0.25 and having an expiry date of December 13, 2026; and
- 3) 700,000 stock options held by LAI SPV stock option holders having an exercise price of \$0.35 and expiring two years following a change of control with 700,000 stock options of the Company with an exercise price of \$0.25 and having an expiry date of December 13, 2026.

As at March 31, 2025, the Company had the following options outstanding and exercisable:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Exercisable
13-Dec-26	\$0.10	1.70	600,000	600,000
13-Dec-26	\$0.25	1.70	755,000	755,000
13-Dec-26	\$0.35	1.70	700,000	700,000
01-Jul-28	\$0.36	3.25	4,446,270	4,349,020
01-Jan-29	\$0.36	3.75	612,675	612,675
			7,113,945	7,016,695

During the three months ended March 31, 2025, the Company recorded \$134,305 (2024 - \$280,845) for stock options that vested during the period.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10. STOCK OPTIONS AND WARRANTS (continued)

Warrants

The following is a summary of the Company's warrant activity during the three months ended March 31, 2025 and the year ended December 31, 2024:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2023	-	-
Deemed issued to Former Mojave warrants holders (Note 4)	4,837,400	\$0.26
Replaced to Opco warrants holders	2,955,235	\$0.23
Issued subsequent to the closing of the Transaction	17,268,330	\$0.77
Outstanding, December 31, 2024	25,060,965	\$0.61
Issued	1,571,490	\$0.77
Exercised	(1,891,164)	(\$0.42)
Outstanding, March 31, 2025	24,741,291	\$0.63

On January 8, 2025, the Company closed the second of two tranches of the Offering by issuing 2,757,000 units of the Company at \$0.55 per unit for aggregate gross proceeds of \$1,516,350, of which \$Nil was allocated to the warrants under the residual value method. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at \$0.80 per common share until July 8, 2026.

Per the Agency Agreement, the Company issued 192,990 Agent Warrants at an exercise price of \$0.55 and expiring on July 8, 2026. The fair value of the 192,990 Agent Warrants was \$43,788 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.91%
Expected life	1.50 years
Expected volatility	174%
Expected dividends	0%

During the three months ended March 31, 2025, the Company received proceeds of \$797,282 from the exercise of 1,891,164 warrants.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10. STOCK OPTIONS AND WARRANTS (continued)

On December 30, 2024, the Company closed the first of two tranches of the Offering by issuing 30,878,200 Units of the Company at \$0.55 per Unit for aggregate gross proceeds of \$16,983,010 (Note 9). The Company issued 15,439,100 common share purchase warrants at an exercise price of \$0.80 and expire on June 30, 2026. The fair value of the 15,439,100 common share purchase warrants is \$6,175,640. Per the Agency Agreement, the Company issued 1,829,230 Agent Warrants at an exercise price of \$0.55 and expire on June 30, 2026. The fair value of the 1,829,230 Agent Warrants was \$418,246 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.94%
Expected life	1.50 years
Expected volatility	174%
Expected dividends	0%

As at March 31, 2025, 714,500 warrants were subject to resale restrictions pursuant to a contractual agreement. The 714,500 warrants will be released as follows: 33% will be restricted from trading until July 8, 2025, 33% will be restricted from trading until October 8, 2025 and the remaining will be restricted from trading until January 8, 2026.

Former Light AI

On January 25, 2023, Former Light AI amended the expiry date of 235,500 warrants previously issued by Former Light AI on August 3, 2018 to expire on January 25, 2025. All other terms of the warrants remain the same and are exercisable at \$1.70. Pursuant to the Amalgamation, on December 13, 2024, the Company replaced 235,500 warrants held by the Former Light AI warrant holders having an exercise price of \$1.70 and expiring January 25, 2025 with 916,095 warrants of the Company having an exercise price of \$0.44 and expiring on January 25, 2025.

LAI SPV

During the year ended December 31, 2024, LAI SPV issued the following warrants:

- 1) 714,500 share purchase warrants relating to a unit financing at \$0.07 per unit for gross proceeds of \$100,030, with each unit comprising one LAI SPV common share and one-half of one LAI SPV common share purchase warrant. Each whole LAI SPV common share purchase entitles the holder to purchase one LAI SPV common share at an exercise price of \$0.11 per LAI SPV share and expire March 11, 2026;
- 2) 800,000 share purchase warrants at \$0.01 per warrant for gross proceeds of \$8,000 to the consultants of LAI SPV. Each warrant entitles the holder to purchase one common share of LAI SPV at an exercise price of \$0.10 per LAI SPV share and expire on April 24, 2026. The fair value of the 800,000 warrants was \$46,826 and recorded as an increase to warrants reserve and \$38,826 (net of \$8,000 proceeds) to share-based payments. The fair value of \$46,826 was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	4.23%
Expected life	2 years
Expected volatility	100%
Expected dividends	0%

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

10. STOCK OPTIONS AND WARRANTS (continued)

- 3) 524,640 finders' warrants issued to brokers for the unsecured LAI SPV convertible debenture financings. Each finders' warrant entitles the holder to purchase one common share of LAI SPV at an exercise price of \$0.25 per LAI SPV share expiring two years from the closing date of the Transaction. The fair value of the 524,640 finders' warrants was \$11,604 and recorded as an increase to warrants reserve and netted against convertible debenture proceeds as transaction costs.

Pursuant to the Amalgamation, on December 13, 2024, the Company replaced the following:

- 1) 714,500 warrants held by LAI SPV warrant holders having an exercise price of \$0.11 and expiring March 11, 2026 with 714,500 warrants of the Company having an exercise price of \$0.11 and expiring on March 11, 2026;
- 2) 800,000 warrants held by LAI SPV warrant holders having an exercise price of \$0.10 and expiring April 24, 2026 with 800,000 warrants of the Company having an exercise price of \$0.10 and expiring on April 24, 2026; and
- 3) 524,640 finders' warrants held by LAI SPV finders' warrant holders having an exercise price of \$0.25 and expiring two years from the closing date of the Transaction with 524,640 finders' warrants of the Company having an exercise price of \$0.25 and expiring on December 13, 2026.

As at March 31, 2025, the Company had the following warrants outstanding and exercisable:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Warrants Outstanding	Number of Warrants Exercisable
12-Jul-25	\$0.60	0.28	1,343,750	1,343,750
15-Dec-25	\$0.11	0.71	3,374,900	3,374,900
11-Mar-26	\$0.11	0.94	714,500	714,500
24-Apr-26	\$0.10	1.06	370,000	370,000
30-Jun-26	\$0.80	1.25	15,196,100	15,196,100
30-Jun-26	\$0.55	1.25	1,655,991*	1,655,991
13-Dec-26	\$0.25	1.70	514,560**	514,560
8-Jul-26	\$0.80	1.27	1,378,500	1,378,500
8-Jul-26	\$0.55	1.27	192,990*	192,990
			24,741,291	24,741,291

* Agent Warrants

** Finders' Warrants

11. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Key management includes directors and key officers of the Company, including the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Operating Officer ("COO"), the President and Chief Technology Officer ("CTO") and a director of the Company.

LIGHT AI INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)**

11. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at March 31, 2025, there was \$7,210 (December 31, 2024 - \$1,200) owing to the CEO, \$5,000 (December 31, 2024 - \$Nil) owing to the CFO, \$135,099 (December 31, 2024 - \$Nil) owing to the President and CTO, \$36,005 (December 31, 2024 - US\$25,000) owing to the COO, \$20,000 (December 31, 2024 - \$Nil) owing to a director and former consultant of the Company for reimbursed expenses, \$3,383 (December 31, 2024 - \$Nil) owing to a director of the Company for reimbursed expenses, \$37,800 (December 31, 2024 - \$25,000) owing to the former CFO, \$Nil (December 31, 2024 - \$11,124) owing to the LAI SPV former CEO and \$Nil (December 31, 2024 - \$8,044) owing to the LAI SPV former President. As at March 31, 2025, there was \$Nil (December 31, 2024 - \$1,818) receivable from the CEO.

The Company had the following related party transactions during the three months ended March 31, 2025 and 2024:

	March 31, 2025	March 31, 2024
	\$	\$
CEO – R&D	125,404	118,075
CFO – Accounting and Audit	95,064	-
CTO – R&D	187,230	-
COO – R&D	107,754	40,236
Director and former consultant - Marketing	30,000	260,000
Former CFO* – Accounting and Audit	48,000	18,900
Total fees	593,452	437,211

* Resigned during three months ended March 31, 2025

On January 15, 2025, the Company granted 5,573,000 stock options to directors, officers, employees and consultants having an exercise price of \$0.70 and expiring on January 15, 2035. Additionally, the Company granted 1,750,000 deferred share units to directors of the Company (Note 10).

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a strong capital base in order to advance the Company's corporate strategies to create long term value for its stakeholders and to sustain the Company's operations in economic cycles.

The Company defines capital as the aggregate of shareholders' equity, including common shares. The Company manages its capital in order to maintain flexibility and respond to changes in economic and/or marketplace conditions. In order to increase shareholder value, the Company may adjust its capital structure by issuing new shares, purchasing shares for cancellation, raising debt or declaring and paying dividends.

The Company is not exposed to any externally imposed capital restrictions, and there has been no change in capital management for the period.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The following provides an analysis of financial instruments that are measured, subsequent to initial recognition, at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical investments

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the investments that are not based on observable market data

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and interest payable on convertible debentures. In management's opinion, the Company's carrying values of cash and cash equivalents, accounts receivable, accounts payable, and interest payable on convertible debentures approximate their fair values due to the immediate or short-term maturity of these instruments.

Risk Management

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Company does not believe there has been any significant changes in risk from the prior period. The following analysis provides information about the Company's risk exposure and concentration as of March 31, 2025 and December 31, 2024.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company mitigates this risk by continuously monitoring cash flows and discussing potential financing options to continue the inflow of cash as needed.

All contractual financial liabilities are due within one year after the date of these financial statements.

At March 31, 2025, the Company had total current assets of \$14,970,514, including cash balance of \$11,862,083, to settle current liabilities of \$2,352,273. As a result, the Company is not exposed to any liquidity risk at March 31, 2025.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk.

LIGHT AI INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited - Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash and cash equivalents and accounts payable and accrued liabilities held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The following balances represent the U.S. dollar cash and accounts payable and accrued liabilities held by the Company, denominated in Canadian dollars.

	March 31, 2025	December 31, 2024
	\$	\$
Cash	7,176	18,269
Accounts payable and accrued liabilities	581,376	501,240

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant other price risks arising from these financial instruments.

14. SUBSEQUENT EVENT

Subsequent to March 31, 2025, the Company received proceeds in the amount of \$67,345 for the exercise of 634,950 warrants.