LIGHT AI INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2025 AND 2024

SHIM

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Light AI Inc.

Opinion
We have audited the accompanying consolidated financial statements of Light AI Inc. and its subsidiary (the "Company") which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency), and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 Consolidated 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 consolidated 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 of the consolidated financial statements, which indicates that 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except as described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditor's report.

Other Information
Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated 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 Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Dong H. Shim.

SHIM & Associates LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
March 25, 2026

LIGHT AI INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025 AND 2024
(Expressed in Canadian dollars)

	Note	December 31, 2025	December 31, 2024
ASSETS			
Current Assets			
Cash and cash equivalents		$ 6,455,977	$ 15,162,048
Accounts receivable		-	4,050
Tax credits receivable	5	-	499,382
Goods and services tax recoverable		289,483	138,876
Prepaid expenses and other assets		175,131	1,321,889
Total Current Assets		$ 6,920,591	$ 17,126,245
Fixed assets	6	19,036	1,368
Total Assets		**$ 6,939,627**	**$ 17,127,613**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	12	$ 1,475,258	$ 2,236,163
Interest payable on convertible debentures	8	-	245,514
Total Liabilities		$ 1,475,258	$ 2,481,677
SHAREHOLDERS' EQUITY			
Share Capital	9	$ 34,847,150	$ 30,847,209
Contributed Surplus	10	14,194,003	11,249,719
Deficit		(43,576,784)	(27,450,992)
Total Shareholders' Equity		$ 5,464,369	$ 14,645,936
Total Liabilities and Shareholders' Equity		**$ 6,939,627**	**$ 17,127,613**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized for issue on behalf of the Board on March 25, 2026.

“Steve Semmelmayer”	Director	*“Mark Antanasio”*	Director
Steve Semmelmayer		Mark Antanasio	

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

LIGHT AI INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in Canadian dollars)

	Note		Year ended December 31, 2025		Year ended December 31, 2024
EXPENSES					
Research and Development					
Research and prototype development	12	$	2,170,457	$	2,185,988
Clinical trials			-		69,067
Product development			2,442,220		1,424,804
Travel and meetings			12,699		21,153
Total Research and Development Expenses		$	4,625,376	$	3,701,012
Marketing and Investor Relations					
Marketing and investor relations	12	$	5,221,513	$	2,152,868
Travel and meetings			76,191		42,309
Total Marketing and Investor Relations Expenses		$	5,297,704	$	2,195,177
General and Administrative					
Accounting and audit	12	$	848,208	$	466,505
Accretion and interest	8		-		515,255
Consulting	12		-		185,648
Depreciation	6		752		1,671
Interest on convertible debentures	8		-		245,514
Interest on short-term debts and bank charges	7		-		15,508
Legal and regulatory			875,466		163,144
Office and miscellaneous			329,298		53,000
Share-based expense	10,12		4,325,499		565,938
Travel and meetings			38,096		21,154
Total General and Administrative Expenses		$	6,417,319	$	2,233,337
LOSS BEFORE OTHER ITEMS		**$**	**(16,340,399)**	**$**	**(8,129,526)**
Foreign exchange (gain) / loss			(49,415)		59,543
Investment tax credits recovered	5		-		(499,382)
Listing expense	4		-		5,152,136
Loss on debt modification	8		-		272,925
Other (income) / loss			(165,192)		(13,815)
Total Other Items		$	(214,607)	$	4,971,407
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(16,125,792)**	**$**	**(13,100,933)**
Loss per Share - Basic and Fully Diluted		$	(0.14)	$	(1.00)
Weighted Average Number of Common Shares Outstanding			119,391,081		13,056,604

LIGHT AI INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in Canadian dollars)

	Number of Common Shares	Amount	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	36,985,272	12,129,910	6,593,886	-	-	18,723,796
Equity component of convertible debentures	-	-	-	317,403	-	317,403
Conversion of convertible debentures	4,760,024	5,176,575	-	(317,403)	-	4,859,172
Transaction restructuring	(9,466,083)	-	-	-	-	-
Shares issued under reverse takeover	73,235,057	3,276,146	1,151,352	-	-	4,427,498
Finders' warrants on convertible debentures	-	-	11,604	-	-	11,604
Warrants issued for cash	-	-	8,000	-	-	8,000
Share-based payments	-	-	565,938	-	-	565,938
Net loss for the year	-	-	-	-	(13,100,933)	(13,100,933)
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	1,282,017	-	-	-	1,282,017
Shares issued on warrant exercises	5,522,064	2,621,490	(1,426,468)	-	-	1,195,022
Shares issued on option exercises	600,000	96,434	(36,434)	-	-	60,000
Fair value of agents' warrants	-	-	81,687	-	-	81,687
Share-based payments	-	-	4,325,499	-		4,325,499
Net loss for the year	-	-	-	-	(16,125,792)	(16,125,792)
Balance, December 31, 2025	**122,352,735**	**$ 34,847,150**	**$ 14,194,003**	**$ -**	**$ (43,576,784)**	**$ 5,464,369**

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

LIGHT AI INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in Canadian dollars)

	Year ended December 31, 2025	Year ended December 31, 2024
OPERATING ACTIVITIES		
Net loss and comprehensive loss	$ (16,125,792)	$ (13,100,933)
Adjustments for non-cash items:		
Accretion and interest on convertible debentures	-	760,769
Accrued interest income	-	(2,560)
Depreciation	752	1,671
Interest on short-term debts	-	13,278
Listing expense	-	5,152,136
Loss on debt modification	-	272,925
Share-based payments	4,325,499	565,938
Changes in non-cash working capital balances		
Accounts receivable	4,050	16,651
Tax credits receivable	499,382	(177,631)
Goods and services tax recoverable	(150,607)	(86,459)
Prepaid expenses and other assets	1,146,758	(875,532)
Accounts payable and accrued liabilities	(760,904)	650,673
Cash used in operating activities	**$ (11,060,862)**	**$ (6,809,074)**
INVESTING ACTIVITIES		
Fixed asset additions	$ (18,420)	$ -
Net cash payment for reverse takeover	-	(562,205)
Loans received, net	-	94,000
Cash used in investing activities	**$ (18,420)**	**$ (468,205)**
FINANCING ACTIVITIES		
Shares issued for cash, net of share issue costs	$ 1,363,703	$ 18,723,796
Proceeds from warrant exercises	1,195,022	-
Proceeds from option exercises	60,000	-
Convertible debenture interest payments	(245,514)	-
Net proceeds from (payment to)short-term debts	-	(507,526)
Net proceeds from issuance of warrants	-	8,000
Net proceeds from convertible debentures	-	3,888,715
Cash provided by financing activities	**$ 2,373,211**	**$ 22,112,985**
CHANGE IN CASH	$ (8,706,071)	$ 14,835,706
CASH, BEGINNING	15,162,048	326,342
CASH, END	**$ 6,455,977**	**$ 15,162,048**
Supplemental disclosures		
Interest paid	$ 245,514	$ 17,526
Income taxes paid	$ -	$ -
Non-cash transactions		
Broker warrants issued (share issuance costs)	$ 81,687	$ -
Shares issued - conversion of convertible debentures	$ -	$ 5,176,575

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Light AI Inc. (the "Company"), formerly Mojave Brands Inc., 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 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 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. As at December 31, 2025, the Company has an accumulated deficit of $43,576,784 (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.

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.

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 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. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The consolidated financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of consolidated financial statements (“IFRS Accounting Standards”).

The consolidated financial statements were authorized for issue on March 25, 2026 by the directors of the Company.

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

a. Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Light AI Technologies Inc. In accordance with the reverse takeover accounting, these consolidated financial statements include the historical results and figures of Opco. The Company’s accounts and results are consolidated from the transaction date, being December 13, 2024. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

b. Basis of presentation

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The consolidated financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

b. Basis of presentation (continued)

("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these consolidated financial statements.

c. Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, expected life, volatility and forfeiture rates for share-based payments and provisions for commitments and contingent liabilities.

Useful lives of depreciable assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent probable that there will be taxable income available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based on estimates of future taxable income.

Contingent liabilities

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the year in which the change in probability occurs.

Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk free interest rate, volatility and forfeiture rates and making assumptions about them.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

d. Significant judgments

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in preparing the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification of financial instruments.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Determination of functional currency

The Company determines its functional currency as the Canadian dollar based on the primary economic environment in which it operates. IAS 21 The Effects of Changes in Foreign Exchange Rates outlines a number of factors to apply in determining the functional currency, which is subject to significant judgment by management. Management uses a number of factors to determine the primary economic environment in which the Company operates; it is normally the one in which it primarily generates and expends cash.

Research versus development expenses

The accounting for research and development expenses differs with research expenses recognized in the consolidated statements of loss and comprehensive loss during the period incurred, whereas development expenses are recognized as an intangible asset in the consolidated statements of financial position when incurred. The Company's operations, from time to time, may include both research and development activities. Management has used judgement to determine whether activities should be recognized as research expenses or as an intangible asset for development expenses. To date, management has determined that its activities are research activities and has not incurred any expenses that would qualify as recognition as an intangible asset in the consolidated statements of financial position.

Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

d. Significant judgments (continued)

Accounting for the acquisitions

The Company applies significant judgment to conclude whether an acquired set of activities and assets is a business. The acquisition of a business is accounted for as a business combination, under IFRS 3. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition. The Company also applied judgment in identifying the assets acquired and evaluating which IFRS standard the asset should be measured in.

e. Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at FVTPL, at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. In the years presented, the Company does not have any financial assets categorized as FVTPL or FVTOCI. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. In the years presented, the Company does not have any financial liabilities classified as FVTPL or FVTOCI.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's financial assets measured at amortized cost are cash and accounts receivable. The Company's financial liabilities measured at amortized cost are accounts payable and accrued liabilities, and interest payable on convertible debentures.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

e. Financial instruments (continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset 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 financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

f. Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year-end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

g. Equipment

Equipment is stated at cost or deemed cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Computer equipment	55%	declining balance method

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

h. Share-based payments

The Company has an equity-settled share-based stock option plan. The Company grants options to buy common shares of the Company to directors and consultants (See Note 10).

The fair value of the stock options awarded is measured at grant date, using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, based on historic market price volatility, and an expected life of the options. The fair value of the options is recognized as an expense, with a corresponding increase in equity, over the year that the option.

i. Impairment of assets

The carrying amount of the Company's non-financial assets, which include equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life (which include goodwill) are not subject to amortization and are tested annually for impairment.

j. Research and development

The Company annually incurs costs for activities that relate to research and development of new products. Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs are amortized over the life of

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

j. Research and development (continued)

the commercial production, or in the case of serviceable property, plant and equipment, are included in the appropriate property group and are depreciated over its estimated useful life.

k. Investment tax credits

The Company claims investment tax credits as a result of scientific research and experimental development ("SR&ED") activities. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization.

l. Income taxes

Current income tax

Current income tax assets and/or liabilities for the current period are measured at the amount expected to be recovered from or paid to tax authorities based on the taxable income (loss) for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Company operates and generates taxable income.

Income tax expense consists of current tax charge and the change in deferred tax assets and liabilities. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to a business combination, or to items recognized directly in equity or other comprehensive income.

Deferred income tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18") to replace IAS 1 – Presentation of Financial Statements. This standard focuses on updates to the statement of profit or loss, including: (a) the structure of the statement of profit or loss; (b) required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and (c) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. It will be effective for the Company for the annual period beginning January 1, 2027, and will be required to be applied retrospectively. The Company is currently assessing the effect of this new standard on its consolidated financial statements.

Apart from IFRS 18, other new standards or amendments to existing standards issued but which have not yet been applied by the Company based on the effective date are not currently expected to have a material impact on the Company's consolidated financial statements.

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.

(Expressed in Canadian dollars)

4. REVERSE TAKEOVER (continued)

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

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, which have been reviewed and approved by the Canada Revenue Agency to date. Included in income for the year ended December 31, 2025 are estimated tax incentives of $ Nil (2024 - $499,382).

As at December 31, 2025, $Nil (2024 - $499,382) remained as a tax credit receivable from the Canada Revenue Agency. The balance has been received by the Company during the year ended December 31, 2025.

(Expressed in Canadian dollars)

6. EQUIPMENT

COST		
Balance, December 31, 2023	$	29,501
Additions		-
Balance, December 31, 2024	$	29,501
Additions		18,420
Balance, December 31, 2025	$	47,921
ACCUMULATED DEPRECIATION		
Balance, December 31, 2023	$	26,462
Additions		1,671
Balance, December 31, 2024	$	28,133
Additions		752
Balance, December 31, 2025	$	28,885
NET BOOK VALUE		
Balance, December 31, 2024	$	1,368
Balance, December 31, 2025	$	19,036

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. 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 year ended December 31, 2025, the Company recorded $Nil (2024 - $13,278) 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 December 31, 2025.

LAI SPV

1) During the year ended December 31, 2024, LAI SPV advanced funds totaling $5,315,000 to the Former Light AI pursuant to the following loan agreements:

   i. $1,400,000 pursuant to a loan agreement dated February 29, 2024;
   ii. $1,300,000 pursuant to a loan agreement dated March 19, 2024;
   iii. $300,000 pursuant to a loan agreement dated June 21, 2024;
   iv. $285,000 pursuant to a loan agreement dated June 28, 2024;

7. SHORT-TERM DEBTS AND LOAN ADVANCES (continued)

v. $410,000 pursuant to a loan agreement dated July 21, 2024;
vi. $410,000 pursuant to a loan agreement dated August 29, 2024;
vii. $410,000 pursuant to a loan agreement dated September 23, 2024; and
viii. $800,000 pursuant to a loan agreement dated November 3, 2024.

Collectively (the "Loans")

The Loans are due on demand and are non-interest bearing, until such time as the Transaction is terminated. Upon such event, the Loans will commence accruing interest at 24% per annum, compounded annually, from their respective effective dates of February 29, 2024, March 19, 2024, June 21, 2024, June 28, 2024, July 21, 2024, August 29, 2024, September 23, 2024, and November 3, 2024 until such time as the Loans are paid in full. Upon completion of the Transaction, the $5,315,000 was recorded as an intercompany balance and was eliminated on consolidation at December 31, 2024 and 2025.

2) During the year ended December 31, 2024, LAI SPV advanced funds to the Former Mojave in the amount of $156,000 pursuant to the following promissory notes:

i. $25,000 pursuant to a promissory note dated April 23, 2024;
ii. $50,000 pursuant to a promissory note dated June 26, 2024;
iii. $71,000 pursuant to a promissory note dated October 8, 2024; and
iv. $10,000 pursuant to a promissory note dated November 27, 2024.

Collectively (the "Notes")

The Notes become effective on the date of advance and earn interest at 5% per annum and compounded monthly. Upon completing the Transaction, the principal amount of the Notes, including accrued interest, were recorded as an intercompany balance and was eliminated on consolidation at December 31, 2024 and 2025.

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 year ended December 31, 2025, accretion and interest expense of $Nil (2024 - $20,963) relating to the Debentures was recorded.

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (continued)

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.

iii. On April 18, 2024, LAI SPV closed the third tranche of its non-brokered private placement of unsecured convertible debentures of LAI SPV for total gross proceeds of $788,500. In connection with the closing of the third tranche, LAI SPV paid finders' fees in the amount of $25,800, legal costs of $10,787 and issued 103,200 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 $3,960 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	4.04%
Expected life	2.62 years
Expected volatility	100%
Expected dividends	0%

iv. On April 30, 2024, LAI SPV closed the fourth and final tranche of its non-brokered private placement of unsecured convertible debentures of LAI SPV for total gross proceeds of $186,000. In connection with the closing of the fourth tranche, LAI SPV paid finders' fees in the amount of $6,660, legal costs of $4,044 and issued 26,640 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 $1,022 and was estimated using the Black-Scholes pricing model with the following assumptions:

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (continued)

Risk free interest rate	4.13%
Expected life	2.59 years
Expected volatility	100%
Expected dividends	0%

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 year ended December 31, 2025, no accretion or interest expense (2024 - $494,292 and $245,514 in accretion and interest expense, respectively) relating to the LAI SPV Debentures was recorded. During the year ended December 31, 2025, the Company paid $245,514 of the Debenture interest payable, leaving a balance of $Nil outstanding at December 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 December 31, 2025, there were 122,352,735 (2024 - 113,473,671) common shares issued and outstanding.

During the year ended December 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 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;
2) Issued 5,522,064 common shares for gross proceeds of $1,195,022 relating to the exercise of warrants;
3) Issued 600,000 common shares for gross proceeds of $60,000 relating to the exercise of stock options; and

During the year ended December 31, 2024, the Company realized the following share transactions:

9. SHARE CAPITAL (continued)

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 (Notes 1 and 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 January 1, 2024 to December 12, 2024:
    a) Issued 3,000,000 LAI SPV shares at $0.001 per LAI SPV share for gross proceeds of $3,000;
    b) Issued 2,000,000 LAI SPV shares at $0.02 per LAI SPV share for gross proceeds of $40,000;
    c) Issued 1,429,000 units ("Unit") at $0.07 per Unit for gross proceeds of $100,030, with each Unit comprising one common share of LAI SPV and one-half of one LAI SPV share purchase warrant;
    d) Issued 10,089,800 LAI SPV shares at $0.10 per LAI SPV share for gross proceeds of $1,008,980 and;
    e) Issued 7,237,712 LAI SPV shares at $0.35 per LAI SPV share for gross proceeds of $2,533,200.
5) LAI SPV incurred $42,423 in share issue costs associated with the above financings, totalling 23,756,512 LAI SPV shares (equivalent to 6,107,072 Former Light AI shares).
6) On December 30, 2024, the Company closed the first of two tranches of the Offering (Notes 1 and 10) 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. 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 (Notes 1 and 10).

Escrow Agreement

In connection with the closing of the reverse takeover, the Company entered into an escrow agreement with the transfer agent. As at December 31, 2025, an aggregate of 4,726,798 (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) 2,363,397 common shares, representing 1/2 of remaining escrowed shares, will be released from escrow on January 8, 2026; and
2) 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 December 31, 2025 there were 23,494,202 common shares restricted from trading with the following release schedule:

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

1) 12,808,956 common shares will be released on January 8, 2026;
2) 937,360 common shares will be released on February 8, 2026;
3) 400,000 common shares will be released on April 8, 2026;
4) 2,636,964 common shares will be released on July 8, 2026;
5) 2,236,964 common shares will be released on January 8, 2027;
6) 2,236,964 common shares will be released on July 8, 2027; and
7) 2,236,994 common shares will be released on January 8, 2028.

10. STOCK OPTIONS, DEFERRED SHARE UNITS 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 20% 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 December 31, 2025, there were 1,084,339 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, 2026 (released) and 542,171 stock options released on July 8, 2026.

The following is a summary of the Company's stock option activity during the years ended December 31, 2025 and December 31, 2024:

	Number of Options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance, December 31, 2023	-	-	-
Replaced to Opco option holders	7,113,945	$0.33	-
Balance, December 31, 2024	7,113,945	$0.33	2.10
Issued	6,048,000	$0.67	-
Exercised	(600,000)	$0.10	-
Cancelled/expired	(1,756,470)	$0.46	-
Balance, December 31, 2025	10,805,475	$0.51	5.68
Unvested	(3,757,003)	$0.66	9.10
Exercisable, December 31, 2025	**7,048,472**	**$0.43**	**3.85**

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

The Company reported total share-based compensation expense during the year ended December 31, 2025 of $4,325,499 (2024 - $565,938) attributable to outstanding stock options and deferred share units ("DSUs").

On January 15, 2025, the Company granted 5,573,000 stock options that vest quarterly with a ten-year term to directors, officers, employees and contractors having an exercise price of $0.70 and expiring on January 15, 2035. These stock options were approved by the Company's shareholders at its annual general meeting on September 4, 2025. The fair value of the stock options was $3,711,694 and recorded as share-based payments with $2,296,748 recorded as share-based compensation expense during the year ended December 31, 2025. Out of the total options granted as at December 31, 2025, 500,000 options were cancelled, 1,690,997 are vested and exercisable and 3,382,003 are unvested.

The fair value was estimated using the Black-Scholes pricing model with the following assumptions:

	2025
Risk free interest rate	3.45%
Expected life	Ten years
Expected volatility	120%
Expected dividends	0

On June 26, 2025, the Company granted 250,000 stock options that vest quarterly with a ten-year term to the VP Commercial Development having an exercise price of $0.34 and expiring on June 26, 2035. These stock options were approved by the Company's shareholders at its annual general meeting on September 4, 2025. The fair value of the stock options was $80,873 and recorded as share-based payments with $41,246 recorded as share-based compensation expense during the year ended December 31, 2025. Out of the total options granted as at December 31, 2025, 62,500 are vested and exercisable and 187,500 are unvested.

The fair value was estimated using the Black-Scholes pricing model with the following assumptions:

	2025
Risk free interest rate	3.45%
Expected life	Ten years
Expected volatility	120%
Expected dividends	0

On September 4, 2025, the Company granted 225,000 stock options that vest quarterly with a ten-year term to employees and contractors having an exercise price of $0.24 and expiring on September 4, 2035. The fair value of the stock options was $51,378 and recorded as share-based payments with $18,895 recorded as share-based compensation expense during the year ended December 31, 2025. Out of the total options granted as at December 31, 2025, 37,500 are vested and exercisable and 187,500 are unvested.

The fair value was estimated using the Black-Scholes pricing model with the following assumptions:

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

	2025
Risk free interest rate	3.45%
Expected life	Ten years
Expected volatility	120%
Expected dividends	0

Former Light AI

During the year ended December 31, 2024, 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. On May 27, 2024, 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 year ended December 31, 2024.

On July 1, 2023, Former Light AI granted 200,000 stock options to consultants of Former Light AI with an exercise price of $1.40 expiring on July 1, 2028. A total of 125,000 stock options vested on the grant date and the remaining 75,000 stock options vest as follows: 1/3 on the grant date, 1/3 one year after the grant date and 1/3 two years after the grant date. During the year ended December 31, 2024, Former Light AI recognized share-based payments of $44,795 (2023 - $299,008) related to stock options vested.

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.

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

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%

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%

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

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 December 31, 2025, the Company had the following options outstanding and exercisable with a weighted average price of $0.50:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding	Unvested	Exercisable
December 13, 2026	$0.25	0.95	755,000	-	755,000
December 13, 2026	$0.35	0.95	700,000	-	700,000
July 1, 2028	$0.36	2.50	3,802,475	-	3,802,475
January 15, 2035	$0.70	9.05	5,073,000	3,382,003	1,690,997
June 25, 2035	$0.34	9.49	250,000	187,500	62,500
September 5, 2035	$0.24	9.68	225,000	187,500	37,500
			10,805,475	**3,757,003**	**7,048,472**

The Company reported total share-based compensation expense during the year ended December 31, 2025 of $2,882,999 (2024 - $565,938) attributable to outstanding stock options.

<u>Deferred Share Units (“DSUs”)</u>

On January 15, 2025, the Company granted 1,750,000 DSUs that vest immediately to directors. The DSUs were approved by the Company’s shareholders at its annual general meeting on September 4, 2025. The fair value of the DSUs was $1,277,500 and recorded as share-based compensation expense during the year ended December 31, 2025.

On December 4, 2025, the Company granted 1,000,000 DSUs that vest immediately to directors. The fair value of the DSUs was $165,000 and recorded as share-based compensation expense during the year ended December 31, 2025.

During the year ended December 31, 2025, the Company recorded total share-based compensation of $1,442,500 (2024 - $Nil) for DSUs that vested during the year.

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

Warrants

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

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Balance, 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	
Balance, December 31, 2024	**25,060,965**	**$0.61**	**1.31**
Issued	1,571,490	$0.77	
Expired	(1,343,750)	($0.60)	
Exercised	(5,522,064)	($0.22)	
Balance, December 31, 2025	**19,766,641**	**$0.73**	**0.50**

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 $81,687 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	141%
Expected dividends	0%

During the year ended December 31, 2025, the Company received proceeds of $1,195,022 from the exercise of 5,522,064 warrants.

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 1). 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:

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

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

As at December 31, 2025, 242,930 warrants were subject to resale restrictions pursuant to a contractual agreement. The 242,930 warrants 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%

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.

(Expressed in Canadian dollars)

10. STOCK OPTIONS, DEFERRED SHARE UNITS AND WARRANTS (continued)

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 December 31, 2025, the Company had the following warrants outstanding and:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Warrants Outstanding and Exercisable
11-Mar-26	$0.11	0.19	714,500
24-Apr-26	$0.10	0.31	120,000
30-Jun-26	$0.80	0.50	15,196,100
30-Jun-26	$0.55	0.50	1,655,991*
13-Dec-26	$0.25	0.95	508,650**
8-Jul-26	$0.80	0.52	1,378,500
8-Jul-26	$0.55	0.52	192,990*
			19,766,641

* Agent Warrants
** Finders' Warrants

The weighted average price of the Company's outstanding warrants as at December 31, 2025 is $0.73.

(Expressed in Canadian dollars)

11. INCOME TAX

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2024 - 27%) to the income for the year and is reconciled as follows:

	2025 $	2024 $
Net loss	(16,125,792)	(13,100,933)
Income tax recovery at the combined basic federal and provincial rate	(4,353,964)	(3,537,252)
Increase (decrease) resulting from:		
Non-deductible expenses and others	1,102,892	1,184,000
Change in prior year estimates	626,683	20,385
Research and development expenses	1,248,852	993,562
Investment tax credits received	-	(134,833)
Unrecognized deferred tax benefit	1,375,537	1,474,138
Effective tax expense	-	-

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

	2025 $	2024 $
Deferred income tax assets:		
Non-capital loss carryforwards	4,329,404	2,898,347
Share issue costs	392,389	456,976
Property, plant and equipment	16,663	7,596
	4,738,456	3,362,919
Deferred tax assets not recognized	(4,738,456)	(3,362,919)
Net deferred tax assets	-	-

The Company has incurred losses of $16,034,829 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized.

12. 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 directors of the Company.

(Expressed in Canadian dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at December 31, 2025, there was $Nil (2024 - $1,200) owing to the former CEO, $43,692 (US$29,167) (2024 – US$38,600) owing to the former President and CTO, $Nil (2024 – US$25,000) owing to the former COO, $68,000 (2024 – $Nil) owing to Vice President, Commercial Development, $Nil (2024 - $25,200) owing to the former CFO of the company. As at December 31, 2025, there was $Nil (2024 - $1,818) receivable from the former CEO.

The Company had the following related party transactions during the years ended December 31, 2025 and 2024:

Related Party Expenses	Year ended December 31, 2025	Year ended December 31, 2024
CIO, Director & Former CEO	$ 489,176	$ 493,551
Close family of former CEO	88,333	-
CFO**	357,564	-
Vice President, Commercial Development	63,000	-
Director and Chair of Board of Directors	69,724	-
Former Director - consulting fees*	100,000	440,000
Former President and CTO*	573,552	
Former COO*	316,325	289,195
Former CFO* – accounting and management fees	12,000	177,300
LAI SPV former CEO - consulting and management fees***	-	672,011
LAI SPV former President - consulting and management fees***	-	684,911
Total fees	**$ 2,069,674**	**$ 2,756,968**

* Resigned during the year.
** Resigned subsequent to the year end
***Represents services provided to Company by respective companies controlled by individuals.

On January 15, 2025, the Company granted 2,260,000 stock options to a director, officers and a close family of a director with a ten-year term expiring on January 15, 2035, having an exercise price of $0.70, that would vest over 12 quarters until December 31, 2027 (Note 10).

On June 24, 2025, the Company granted 250,000 stock options to the VP Commercial Development with a ten-year term expiring on June 24, 2035, having an exercise price of $0.34, that would vest over 12 quarters until March 31, 2028 (Note 10).

On September 5, 2025, the Company granted 50,000 stock options to a close family member of a director and officer with a ten-year term expiring on September 5, 2035, having an exercise price of $0.24, that would vest over 12 quarters until June 30, 2028 (Note 10).

During the year the company granted 2,750,000 Deferred Share Units to the directors of the company that vest immediately (Note 10).

13. 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

13. CAPITAL MANAGEMENT (continued)

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.

14. 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 December 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 December 31, 2025, the Company had total current assets of $6,920,591, including cash balance of $6,455,977, to settle current liabilities of $1,475,258. As a result, the Company is not exposed to

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

any liquidity risk at December 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.

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.

	December 31, 2025	December 31, 2024
	$	$
Cash	3,110	18,269
Accounts payable and accrued liabilities	425,650	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.