



Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS For the three months and nine months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months and nine months ended June 30, 2024 and 2023

(Unaudited – Expressed in Canadian Dollars)

	Page
Notice of no Auditor Review	3
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Equity	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8 – 21

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Legend Power Systems Inc. for the three months and nine months ended June 30, 2024 and 2023, have been prepared by and are the responsibility of the Company's management.

The auditor of Legend Power Systems Inc. has not performed a review of the unaudited condensed interim consolidated statements of loss and comprehensive loss for the three months and nine-month period ended June 30, 2024 and 2023.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

		June 30, 2024	September 30, 2023 (Audited)
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		805,870	2,506,336
Trade and other receivables	5(i)	89,749	214,103
Due from customers on contract	5(ii)	10,211	10,211
Prepaid expenses and deposits		98,315	74,729
Inventory	6	1,757,898	1,862,904
Total current assets		2,762,043	4,668,283
Non-current assets			
Property and equipment	7	79,275	111,986
Right of use assets	8	387,027	438,342
Intangible assets	9	12,585	10,604
Total non-current assets		478,887	560,932
Total assets		3,240,930	5,229,215
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Account payable		179,923	105,044
Accrued liabilities		353,848	396,354
Deferred revenue		524,127	210,827
Lease liability	8	137,691	114,415
Warranty provision	10	45,071	51,381
Total current liabilities		1,240,660	878,021
Non-current liabilities			
Warranty provision	10	42,513	45,048
Lease liability	8	226,919	311,575
Total liabilities		1,510,092	1,234,644
Shareholders' equity			
Share capital	11(i)	61,993,475	61,993,475
Contributed surplus		11,683,603	11,472,126
Accumulated other comprehensive income		(10,840)	(6,664)
Deficit		(71,935,400)	(69,464,366)
Total shareholders' equity		1,730,838	3,994,571
Total liabilities and shareholders' equity		3,240,930	5,229,215
Going concern (Note 1)			
Segments (Note 4)			
Commitments and contingencies (Note 12)			
Subsequent event (Note 17)			

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON AUGUST 22, 2024

"Cos LaPorta", Director

"Randy Buchamer", Director

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

	Notes	For the three months ended		For the nine months ended	
		June 30,		June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue		1,042,412	470,310	1,167,638	946,979
Cost of sales	6	522,274	366,307	611,845	747,124
Gross margin		520,138	104,003	555,793	199,855
Expenses					
Salaries and consulting		600,670	679,225	1,892,772	2,052,642
General and administrative		129,581	136,372	378,322	427,510
Selling costs		89,746	11,448	174,728	61,357
Share-based compensation	11(ii)	56,679	78,742	211,477	270,433
Professional fees		36,347	46,631	140,904	141,645
Warranty expense	10	8,797	7,339	3,948	2,209
Product development		40,881	103,916	121,754	273,323
Foreign exchange (gain) loss		3,231	407	4,487	1,887
Amortization and depreciation	7,8,9	32,507	63,935	107,100	198,414
Bad debt	5(i)	1,100	-	1,874	-
Total expenses		999,539	1,128,015	3,037,366	3,429,420
Operating loss		(479,401)	(1,024,012)	(2,481,573)	(3,229,565)
Interest expense on leases	8	(5,207)	(2,893)	(16,501)	(10,510)
Other income		2,222	8,337	27,040	27,902
Net loss for the period		(482,386)	(1,018,568)	(2,471,034)	(3,212,173)
Other comprehensive loss:					
Exchange difference arising on translation of foreign operations		399	(668)	(4,176)	(151)
Comprehensive loss for the period		(481,987)	(1,019,236)	(2,475,210)	(3,212,324)
Basic and diluted loss per share		(.004)	(.009)	(.019)	(.027)
Weighted average number of common shares outstanding, basic and diluted					
		131,694,417	117,577,304	131,694,417	117,574,404

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited – Expressed in Canadian Dollars)

	Notes	Number of shares issued #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive gain (loss) \$	Total shareholders' equity \$
Balance at September 30, 2022		117,568,971	59,635,094	10,994,841	(65,282,464)	3,500	5,350,971
Common shares issued for options exercised	11(ii)	8,333	2,594	(1,052)	-	-	1,542
Share-based compensation	11(ii)	-	-	270,433	-	-	270,433
Net loss and comprehensive loss for the period		-	-	-	(3,212,173)	(151)	(3,212,324)
Balance at June 30, 2023		117,577,304	59,637,688	11,264,222	(68,494,637)	3,349	2,410,622
Balance at September 30, 2023		131,694,417	61,993,475	11,472,126	(69,464,366)	(6,664)	3,994,571
Share-based compensation	11(ii)	-	-	211,477	-	-	211,477
Net loss and comprehensive loss for the period		-	-	-	(2,471,034)	(4,176)	(2,475,210)
Balance at June 30, 2024		131,694,417	61,993,475	11,683,603	(71,935,400)	(10,840)	1,730,838

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

Legend Power Systems Inc.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Expressed in Canadian Dollars)

		For the nine months ended June 30,	
	Notes	2024	2023
		\$	\$
Cash flows used in operating activities			
Net loss for the period		(2,471,034)	(3,212,173)
Items not affecting cash:			
Share-based payment	12(ii)	211,477	270,433
Amortization and depreciation	7,8,9	130,059	198,414
Interest on lease liability	8	22,113	10,510
Warranty expense	10	3,948	2,209
Bad debt	5(i)	1,874	-
Disposal of fixed asset	7	-	1,326
Provision (recovery) for slow moving inventory	6	-	(18,340)
Lease termination	8	(167)	-
Changes in non-cash working capital items:			
Receivables, prepaids and deposits		99,215	306,054
Due from customers on contract		-	145,227
Inventory		118,074	(288,527)
Accounts payable and accrued liabilities		31,228	(29,614)
Deferred revenue		313,300	180,128
Warranty liability	10	(12,800)	-
		<u>(1,552,713)</u>	<u>(2,434,353)</u>
Cash flows provided by (used in) investing activities			
Purchase of property and equipment	7	(2,912)	-
Purchase of intangible assets	9	(4,925)	-
		<u>(7,837)</u>	<u>-</u>
Cash flows provided by (used in) financing activities			
Proceeds from options exercised	11	-	1,542
Repayment of lease obligation	8	(136,571)	(130,000)
		<u>(136,571)</u>	<u>(128,458)</u>
Effects of foreign exchange translation in cash		(3,345)	(1,126)
Net change in cash and cash equivalents for the period		<u>(1,697,121)</u>	<u>(2,562,811)</u>
Cash and cash equivalents, beginning of the period		<u>2,506,336</u>	<u>3,085,986</u>
Cash and cash equivalents, end of the period		<u>805,870</u>	<u>522,049</u>

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

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

Legend Power Systems Inc. (hereafter referred to as the “Company” or “Legend”) is incorporated under the laws of the Province of British Columbia and was established as a legal entity on June 4, 1987. The Company’s principal business activities are the assembly, marketing and sale of a patented device, the “SmartGATE™”, which enables active power management of an entire commercial or industrial building. The Company’s common shares are listed on the TSX Venture Exchange.

The Company’s principal office is located at 1480 Frances Street, Vancouver, BC, V5L 1Y9, Canada.

The Company has seen an increased rate of inflation globally, which has created challenges for the Company in securing certain inventory components at reasonable prices and in a timely manner. The Company also continues to experience supply chain constraints, which to date, have not resulted in any lost business.

As described in Note 2 of these condensed interim consolidated financial statements, management makes estimates and assumptions in preparing the consolidated financial statements. Actual results could differ materially from these estimates, in which case the impact would be recognized in the condensed interim consolidated financial statements in future periods.

Going concern uncertainty

These condensed interim consolidated financial statements of the Company for the three months and nine months ended June 30, 2024 and 2023 (“financial statements”) have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at June 30, 2024, the Company has an accumulated deficit of \$71,935,400 (September 30, 2023 - \$69,464,366), and for the nine months ended June 30, 2024, recorded a net loss of \$2,471,034 (2023 - \$3,212,173) and negative cash flows from operations of \$1,552,713 (2023 - \$2,434,353). Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and obtain necessary financing to do so. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so on terms favorable for the Company. The above events and conditions indicate there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. The subsidiaries of the Company are as follows:

Legend Power Systems Corp. – (USA) active	100%
0809882 B.C. Ltd. – (Canada) inactive	100%
LPSI (Barbados) Limited – (Barbados) inactive	100%

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

Assets, liabilities, revenue and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Inter-company transactions and balances are eliminated upon consolidation.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended September 30, 2023 ("last annual financial statements"). The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the last annual financial statements. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

The functional currency of the Company, and its Canadian and Barbados subsidiaries is the Canadian dollar. The functional currency of the Company's U.S. subsidiary is the United States dollar. The condensed interim consolidated financial statements are presented in Canadian dollars.

Critical judgments and sources of estimation uncertainty

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements:

- i) The Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements. The Company's objectives are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders
- ii) The determination of an entity's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual entity within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each entity.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- i) Management is required to assess property and equipment and intangible assets for impairment in accordance with IAS 36. In assessing whether there is any indication that long-lived assets may be impaired, management is required to make judgments about whether there are any internal or external indicators of impairment. In testing for impairment, the Company utilizes a 5-year pro-forma cash flow model and in addition to various assumptions, the model includes a sensitivity analysis for future revenue scenarios according to three outcomes and net after-tax cash flows based on current operating costs.
- ii) Management estimates average useful life of property plant and equipment based on historical experience and observations as well as the pattern in which an asset's economic benefits are consumed by the Company
- iii) The interest rate chosen for the purpose of calculating the present value of leases reflects an estimation of the lessee's incremental borrowing rate to finance the purchase of similar property.
- iv) Provision for future warranty expense was forecasted by management based on recent historical experience and expectations of future warranty claim activity.
- v) Provisions for impairment of inventory were made using the best estimate of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete the sale for finished goods and replacement cost for raw materials.
- vi) Expected credit losses are estimates based on observations of historical collection history. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance.
- vii) For those contracts that include both a system and its installation, the Company utilizes Management's best estimate of the relative fair value of revenue generated from the products delivered and the installation services provided. Installation revenue fair value is based on actual third-party contractor pricing by product size multiplied by either; i) the average gross margin achieved by the Company over the preceding two fiscal years or; ii) the implied gross margin specific to a multi system order. The relative fair value of product is the difference between total sale price to customer and fair value estimate of installation revenue.
- viii) The fair value of share-based compensation and warrants are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected term, expected dividend yield, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and warrants.
- ix) In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2023.

4. SEGMENTS

The Company has assessed two operating segments based on geographical location of sales: Legend Power Systems Canada ("Legend Canada") and Legend Power Systems Corp. - U.S. ("Legend U.S."). During the three months and nine months ended June 30, 2024, 35% of the Company's revenues were attributable to Legend Canada (2023 – 100%) and 65% of revenues were attributable to Legend U.S. (2023 – 0%), and 42% of the Company's revenue were attributable to Legend Canada (2023 – 100%) and 58% of revenue were attributable to Legend U.S. (2023 – 0), respectively. Each reportable segment derives its revenue from the sale and installation of the SmartGATE™ products. Transfer prices between operating segments are calculated on a non- arm's length basis.

	As at June 30, 2024				As at September 30, 2023			
	Legend Canada	Legend U.S.	Other Subs	Total	Legend Canada	Legend U.S.	Other Subs	Total
Assets	\$ 3,168,615	\$ 66,931	\$ 5,384	\$ 3,240,930	\$ 5,209,055	\$ 17,456	\$ 2,704	\$ 5,229,215
Liabilities	1,410,704	99,388	-	1,510,092	1,146,539	88,105	-	1,234,644
	Three months ended June 30, 2024				Three months ended June 30, 2023			
	Legend Canada	Legend U.S.	Other Subs	Total	Legend Canada	Legend U.S.	Other Subs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	363,619	678,793	-	1,042,412	470,310	-	-	470,310
Cost of sales	(291,149)	(231,125)	-	(522,274)	(366,307)	-	-	(366,307)
Op costs	(655,829)	(338,443)	(5,267)	(999,539)	(834,191)	(291,317)	(2,507)	(1,128,015)
Other income (expense)	(2,985)	-	-	(2,985)	5,444	-	-	5,444
Net loss	(586,344)	109,225	(5,267)	(482,386)	(724,744)	(291,317)	(2,507)	(1,018,568)
	Nine months ended June 30, 2024				Nine months ended June 30, 2023			
	Legend Canada	Legend U.S.	Other Subs	Total	Legend Canada	Legend U.S.	Other Subs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	488,845	678,793	-	1,167,638	946,979	-	-	946,979
Cost of sales	(380,720)	(231,125)	-	(611,845)	(747,124)	-	-	(747,124)
Op costs	(2,162,810)	(866,585)	(7,971)	(3,037,366)	(2,496,139)	(925,583)	(7,698)	(3,429,420)
Other income (expense)	10,539	-	-	10,539	17,392	-	-	17,392
Net loss	(2,044,146)	(418,917)	(7,971)	(2,471,034)	(2,278,892)	(925,583)	(7,698)	(3,212,173)

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

5. RECEIVABLES

i) Trade and other receivables

Aging of trade receivables as follows:

Trade receivables	Total due	0-30 days	31-90 days	90+ days
	\$	\$	\$	\$
June 30, 2024	89,749	54,888	-	34,861
September 30, 2023	214,103	73,535	-	140,568

During the three months and nine months ended June 30, 2024, the Company wrote off trade receivables in the amount of \$1,100 (2023 - \$nil) and \$1,874 (2023 - \$nil), respectively, to bad debt and the expected credit loss was \$nil (2023 - \$nil).

At June 30, 2024, trade receivables from three customers accounted for 25%, 28% and 33%, respectively, of the Company's trade receivable balance for a total 86% in aggregate. At September 30, 2023, trade receivables from four customers accounted for 10%, 18%, 19% and 40%, respectively of the Company's trade receivables balance for a total 87% in aggregate.

ii) Due from customers on contract

At June 30, 2024, due from customers on contract amounted to \$10,211 and at September 30, 2023, was \$10,211. These amounts relate to equipment delivered and/or installation services performed for sales where revenue has been recognized, and customers had not yet been invoiced.

6. INVENTORY

Inventories consist of the following, as at June 30, 2024 and September 30, 2023:

	June 30, 2024	September 30, 2023
	\$	\$
Finished products ("SmartGATE")	175,019	112,087
Work in progress and finished sub-components	276,293	196,556
Transformers and components	1,306,586	1,554,261
	1,757,898	1,862,904

During the three months and nine months ended June 30, 2024, inventories were recognized as cost of sales in the amount of \$424,555 (2023 - \$129,096) and \$461,314 (2023 - \$360,021), respectively. Further, the Company recorded a recovery for slow-moving and obsolescence of \$nil (2023 - \$78) and \$nil (2023 - recovery of \$18,340), respectively. Total provision recognized against inventory as at June 30, 2024 was \$153,749 (September 30, 2023 - \$153,749).

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Computer equipment	Equipment and furniture	Leasehold improvements	Total
	\$	\$	\$	\$
Cost				
Balance, September 30, 2022	146,260	695,706	44,245	886,211
Additions	-	59,303	-	59,303
Disposal	(6,290)	(7,307)	-	(13,597)
Adjustment	(86)	-	-	(86)
Balance, September 30, 2023	139,884	747,702	44,245	931,831
Additions	2,912	-	-	2,912
Balance, June 30, 2024	142,796	747,702	44,245	934,743
Accumulated depreciation				
Balance, September 30, 2022	141,498	588,990	35,747	766,235
Additions	2,373	59,629	3,964	65,966
Disposal	(6,290)	(5,980)	-	(12,270)
Adjustment	(86)	-	-	(86)
Balance, September 30, 2023	137,495	642,639	39,711	819,845
Additions	2,223	30,786	2,614	35,623
Balance, June 30, 2024	139,718	673,425	42,325	855,468
Net book value				
At September 30, 2023	2,389	105,063	4,534	111,986
At June 30, 2024	3,078	74,277	1,920	79,275

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Office lease

In September 2023, the Company extended its Vancouver head office lease for an additional 3 years. The Company's estimated incremental borrowing rate at the extension date of the lease was 8.29%, which has been used to determine the present value of the minimum lease payments. Extension of lease term resulted in an adjustment in the amount of \$350,112 to the right-of-use asset and lease liability.

On January 1, 2024, certain costs related to property tax and insurance premiums associated to the leased asset became known and unavoidable for the upcoming year. As a result, those payments become fixed in-substance at that time giving rise to a lease modification. An adjustment was made in the amount of \$51,405 (2023 - \$47,565) to the right-of-use asset and lease liability.

During the three months and nine months ended June 30, 2024, the Company made lease obligation payments of \$46,743 (2023 - \$44,171) and \$135,988 (2023 - \$128,406), respectively. Depreciation expense for the three months and nine months ended June 30, 2024, was \$35,185 (2023 - \$43,555) and \$101,599 (2023 - \$121,150), respectively, of which \$33,527 (2023 - \$11,639) was allocated to inventory and cost of sales. Interest expense for the three months and nine months ended June 30, 2024, was \$7,774 (2023 - \$3,228) and \$24,580 (2023 - \$11,436), respectively, of which \$8,112 (2023 - \$1,112) was allocated to inventory and cost of sales.

Office equipment

The Company entered into a 5-year photocopier lease on June 1, 2019. The Company's estimated incremental borrowing rate at the inception of the lease of 10% has been used to determine the present value of the minimum lease payments which was determined to be \$7,844 as of October 1, 2019.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

During the three months and nine months ended June 30, 2024, the Company made lease obligation payments of \$nil (2023 - \$532) and \$583 (2023 - \$1,594), respectively. Depreciation expense for the three months and nine months ended June 30, 2024, was \$nil (2023 - \$420) and \$461 (2023 - \$1,260). Interest expense for the three months and nine months ended June 30, 2024, was \$nil (2023 - \$51) and \$33 (2023 - \$186), respectively.

In January 2024, the Company terminated office equipment lease and recognized a gain of \$167 in other income.

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities.

Right of use Assets

	Office lease	Equipment lease	Total
	\$	\$	\$
Cost			
Balance, September 30, 2022	584,519	7,844	592,363
Effect of lease modification	397,677	-	397,677
Balance, September 30, 2023	982,196	7,844	990,040
Effect of lease modification	51,405	-	51,405
Lease termination	-	(7,844)	(7,844)
Balance, June 30, 2024	1,033,601	-	1,033,601
Accumulated depreciation			
Balance, September 30, 2022	380,272	5,042	385,314
Additions	164,703	1,681	166,384
Balance, September 30, 2023	544,975	6,723	551,698
Additions	101,599	461	102,060
Lease termination	-	(7,184)	(7,184)
Balance, June 30, 2024	646,574	-	646,574
Net book value			
At September 30, 2023	437,221	1,121	438,342
At June 30, 2024	387,027	-	387,027

Lease Obligations

	Office lease	Equipment lease	Total
	\$	\$	\$
Balance, September 30, 2022	185,884	3,278	189,162
Effect of lease modification	397,677	-	397,677
Lease payments	(172,578)	(2,125)	(174,703)
Interest portion of payments	13,630	224	13,854
Balance, September 30, 2023	424,613	1,377	425,990
Effect of lease modification	51,405	-	51,405
Lease payments	(135,988)	(583)	(136,571)
Interest portion of payments	24,580	33	24,613
Lease termination	-	(827)	(827)
Balance, June 30, 2024	364,610	-	364,610

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

Lease payable, current	137,691	-	137,691
Lease payable, non-current	226,919	-	226,919
Total lease payable	364,610	-	364,610

The future undiscounted minimum lease commitments for the Company's leases are as follows:

	Office lease	Equipment lease	Total
	\$	\$	\$
Less than 1 year	161,122	-	161,122
Between 2 and 3 years	242,985	-	242,985
Total	404,107	-	404,107

9. INTANGIBLE ASSETS

	Patents	Computer software	Total
	\$	\$	\$
Cost			
Balance, September 30, 2022	1,655,750	184,084	1,839,834
Additions	-	-	-
Balance, September 30, 2023	1,655,750	184,084	1,839,834
Additions	4,925	-	4,925
Balance, June 30, 2024	1,660,675	184,084	1,844,759
Accumulated depreciation			
Balance, September 30, 2022	1,638,099	151,717	1,789,816
Additions	7,047	32,367	39,414
Balance, September 30, 2023	1,645,146	184,084	1,829,230
Additions	2,944	-	2,944
Balance, June 30, 2024	1,648,090	184,084	1,832,174
Carrying amount			
At September 30, 2023	10,604	-	10,604
At June 30, 2024	12,585	-	12,585

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

10. WARRANTY PROVISION

	Total
	\$
Balance, September 30, 2022	175,328
Warranty fulfillment	(36,315)
Decrease in provision	(42,584)
Balance, September 30, 2023	96,429
Warranty fulfillment	(12,800)
Increase in provision	3,948
Adjustment	7
Balance, June 30, 2024	87,584
Warranty provision, current	45,071
Warranty provision, non-current	42,513
Total	87,584

The Company provides a variable length warranty on its equipment of either 1, 3 or 10 years. The warranty provision will be used to fulfill warranty claims, should they arise, over the warranty period provided to customers. As at June 30, 2024, the average remaining years of equipment under warranty was 3.52 years (September 30, 2023 – 4.04 years).

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

i) Share Capital

The Company's authorized share capital is an unlimited number of common shares without par value. At June 30, 2024, the Company had 131,694,417 (September 30, 2023 – 131,694,417) shares issued and outstanding. All issued common shares are fully paid. Contributed surplus consists of the accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

During the year ended September 30, 2023, the Company completed a non-brokered private placement by issuing a total of 14,117,113 units, for gross proceeds of \$2,541,080. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.25 at anytime up to 24 months following the closing date of the offering. The Company incurred a total of \$44,122 share issuance costs. The warrant is subject to an accelerated expiry provision, whereby in the event the daily volume weighted average trading price of the Company's Shares on the TSX Venture Exchange, or such other stock exchange where the majority of the trading volume occurs, exceeds \$0.40 for a period of 10 consecutive trading days, at the Company's election, the period within which the Warrants are exercisable, will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice, any outstanding Warrants not exercised during the 30 day period will expire.

ii) Stock Options

The Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of share options to directors, officers, employees

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

and consultants. The terms of each option award are fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest over various time periods from the grant date to five years at the discretion of the board of directors.

A summary of the Company's share options outstanding at June 30, 2024, including the changes during the period, is as follows:

	Share options	Weighted average exercise price
		\$
Balance, September 30, 2022	7,979,813	0.38
Granted	2,245,000	0.21
Exercised	(8,333)	0.19
Expired	(595,000)	0.63
Forfeited	(277,399)	0.35
Balance, September 30, 2023	9,344,081	0.32
Granted	375,000	0.18
Expired	(1,740,000)	0.35
Forfeited	(308,515)	0.31
Balance, June 30, 2024	7,670,566	0.31

The weighted average remaining contractual life of stock options outstanding as of June 30, 2024, is 2.62 years (September 30, 2023 – 2.79 years).

During the three months and nine months ended June 30, 2024, the Company recorded share-based compensation of \$56,679 (2023 - \$78,742) and \$211,477 (2023 - \$270,433), respectively.

The fair value of share options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option-pricing model with the following assumptions during the nine months ended June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Risk-free interest rate (average)	4.29%	3.49%
Estimated volatility (average)	94%	98%
Expected life (average)	3.80	3.72
Forfeiture rate (average)	21.52%	22.19%
Dividend rate (average)	0.00%	0.00%

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

The following table summarizes share options outstanding and exercisable at June 30, 2024:

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

Options outstanding	Options exercisable	Exercise price	Year of expiry
		\$	
735,000	735,000	0.18 - 0.75	2024
1,770,565	1,770,565	0.17 - 0.47	2025
520,000	440,002	0.39 - 0.75	2026
2,345,001	1,547,515	0.19 - 0.33	2027
2,300,000	400,005	0.18 - 0.33	2028
7,670,566	4,893,087		

The following table summarizes share options outstanding and exercisable at September 30, 2023:

Options outstanding	Options exercisable	Exercise price	Year of expiry
		\$	
2,485,000	2,485,000	0.18 - 0.75	2024
1,875,747	1,618,251	0.17 - 0.47	2025
546,667	356,671	0.39 - 0.75	2026
2,486,667	970,014	0.19 - 0.33	2027
1,950,000	16,667	0.18 - 0.33	2028
9,344,081	5,446,603		

iii) Warrants

The continuity of share purchase warrants is as follows:

	Warrants	Weighted average exercise price
		\$
Balance, September 30, 2022	7,716,800	0.95
Expired	(7,716,800)	0.95
Granted	14,117,113	0.25
Balance, September 30, 2023	14,117,113	0.25
Balance, June 30, 2024	14,117,113	0.25

Warrants outstanding	Warrants exercisable	Exercise price	Year of expiry
		\$	
14,117,113	14,117,113	0.25	2025
14,117,113	14,117,113		

The weighted average remaining contractual life of warrants outstanding as of June 30, 2024, is 1.09 years (September 30, 2023 – 1.84 years).

During the year ended September 30, 2023, the Company issued:

- a) 14,117,113 unit warrants in connection with the non-brokered private placement which based on the residual method were fair valued at \$141,171 and recorded in contributed surplus

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

12. COMMITMENTS AND CONTINGENCIES

The Company has employment agreements with each of the CEO and COO of the Company that contains severance provisions whereby termination without cause could result in additional costs to the Company unless re-negotiated or settled otherwise.

13. RELATED PARTY DISCLOSURES

The Company considers a person or entity a related party if they are a member of key management personnel, including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are controlled by related parties. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company entered into the following related party transactions during the three months and nine months ended June 30, 2024 and 2023:

(i) Transactions with Key Management Personnel:

The following amounts were incurred with respect to Key Management Personnel; being the Company's CEO, COO and the CFO:

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries and consulting fees to key management personnel	127,208	138,250	381,625	414,750
Share-based compensation	14,037	26,375	54,954	92,045
Car allowance	2,400	2,400	7,200	7,200
	143,645	167,025	443,779	513,995

(ii) Transactions with Directors:

The following amounts were incurred with respect to non-executive directors of the Company:

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Share-based compensation	41,274	27,041	166,983	96,666
	41,274	27,041	166,983	96,666

At June 30, 2024, a total of \$nil (September 30, 2023 - \$nil) was due to related parties for consulting fees and expenses reimbursement.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, due from customers on contract, accounts payable, accrued liabilities and lease liability. The carrying values of these financial instruments are not based on fair value but approximate their fair values because of their short-term nature.

Risk management

The risks associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

The Company is exposed to the US dollar versus Canadian dollar exchange rate fluctuation risks through operations of its US subsidiary and expenses incurred in US dollars. As at June 30, 2024, all of Company's liquid assets and liabilities were held in Canadian dollars and US dollars. A significant change in the USD exchange rate relative to the Canadian dollar could affect the Company's results of operations. A change in the value of US dollar by 10% relative to the value of the Canadian dollar would have affected the Company's results of operations for the nine months ended June 30, 2024, by approximately \$44,210 (2023 - \$93,000).

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk due to its potential impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the nine months ended June 30, 2024, averaged 5.28% (2023 – 3.38%). A 1% nominal change in interest rates would have affected the Company's results of operations for the nine months ended June 30, 2024, by approximately \$6,800 (2023 - \$8,300). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are deemed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At June 30, 2024, trade receivables from three customers accounted for 25%, 28% and 33%, respectively, of the Company's trade receivable balance for a total 86% in aggregate. At September 30, 2023, trade receivables from four customers accounted for 10%, 18%, 19% and 40%, respectively of the Company's trade receivables balance for a total 87% in aggregate. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at June 30, 2024 (September 30, 2023 – nominal).

Concentration risk

During the three months and nine months ended June 30, 2024, two customers accounted for 28% and 63% (2023 – two customers accounted for 18% and 80%) and two customers accounted for 33% and 56% (2023 – two customers accounted for 23% and 44%), respectively, of the Company's revenue.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months and nine months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2024, the Company had cash and cash equivalents of \$805,870 (September 30, 2023 – \$2,506,336) to settle its current liabilities of \$1,240,660 (September 30, 2023 – \$878,021).

15. LOSS PER SHARE

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Basic	(.004)	(.009)	(.019)	(.027)
Diluted	(.004)	(.009)	(.019)	(.027)

Common share equivalents that could potentially dilute net income per basic share in the future, were not included in the computation of diluted earnings per share because the impact would have been anti-dilutive, and which included all issued stock options (note 11(ii)).

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use funds from the future sale of products to fund operations and expansion activities.

17. SUBSEQUENT EVENT

Subsequent to June 30, 2024, 50,000 common shares were issued upon the exercise of warrants, for gross proceeds of \$12,500.