

# Legend Power Systems Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS Three and nine months ended June, 2024 and 2023

(Expressed in Canadian Dollars)

August 22, 2024



**Management's Discussion and Analysis**  
**For the three and nine months ended June 30, 2024 and 2023**  
**Dated August 22, 2024**



## ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation of Legend Power Systems Inc. ("Legend" or the "Company"), is prepared as of August 22, 2024, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2024 and 2023 and accompanying notes. The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars. Unless indicated otherwise, information in this MD&A is current as of August 22, 2024.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors approve the financial statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Additional information relevant to the Company can be found on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) and the Company's website at [www.legendpower.com](http://www.legendpower.com).

## CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A may contain statements which constitute "forward-looking information", including statements regarding the plans, intentions, beliefs and current expectations of the Company, its directors, or its officers with respect to the future business activities and operating performance of the Company. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, or its management, are intended to identify such forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future business activities or performance and involve risks and uncertainties, and that the Company's future business activities may differ materially from those in the forward-looking statements as a result of various factors. Such risks, uncertainties and factors are described in the periodic filings with the Canadian securities regulatory authorities, including the Company's quarterly and annual Management's Discussion & Analysis, which may be viewed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Should one or more of these risks or uncertainties materialize or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements other than as may be required by applicable law.

## OUR BUSINESS

Legend Power® Systems Inc. ("Legend Canada") and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) ("Legend U.S.") and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is a global leader in onsite energy management technology. The Company markets a patented device (the "SmartGATE™") which is an Active Power Management system which corrects incoming electricity power quality in real time on a cycle by cycle basis. The Company also markets a power quality monitoring device called SmartGATE Insights™ which is used to measure power quality conditions. These proprietary and patented technology platforms are used in the

SmartGATE Insights Power Impact Assessment Service which assesses incoming power issues and translates this data into business impact.

Power quality challenges are common to utilities around the world and are getting worse with increased renewable energy sources like wind and solar. Most buildings (80-90%) on a power grid receive inconsistent electrical voltage from their power utilities. This variability is further exacerbated by the inconsistent production and availability of renewable energy sources added to the supply. Voltage higher or lower than a building's equipment specifications negatively impacts the lifespan or availability of electrical equipment, creates unnecessary power consumption, increases the potential for 'brown-outs', and can cause full or partial equipment failures.

This results in higher monthly utility bills, higher electricity consumption, increased electrical demand, and associated Greenhouse Gas ("GHG") emissions. Additionally, these issues cause loss of function for critical building systems like HVAC, Elevation, Lighting, Life and Safety Systems, controllers, sensors, motors, pumps and drives critical to building operations. All of these issues represent increased expenses, lower profits, lower valuations and decreased tenant satisfaction.

SmartGATE's modular and extensible design, particularly its software-driven controller, and multiple component topology, enables it to address power quality issues today, while being flexible to address growing issues projected for the future. By ensuring a consistent and optimized voltage level on each individual phase of service and managing or mitigating poor quality (including over/under voltage, voltage sags and swells, phase unbalance, and power factor) across all loads, SmartGATE ensures customers receive consistent power availability, reduce their electrical and maintenance costs, while maintaining and enhancing asset values and brand integrity. SmartGATE's intelligent controller captures constant, real-time data flow on up to 200 parameters aggregated every minute and made available to building management via the cloud. During initial assessments for prospective customers utilizing the SmartGATE Insights™ meter, this same data can be combined into a Power Impact Report to inform and prioritize implementation decision-making.

### **Vision, Offerings and Strategy**

The Company's vision statement is – "To be recognized as a global leader in intelligent active power management technology".

The Company currently markets two complementary offerings:

- SmartGATE Insights Service measures the high impact attributes of electricity and then applies an array of industry-standard calculations to determine what effects they are having on a building. Findings are summarized and communicated to building owners via a Power Impact Report, with an easy-to-understand scorecard of relative building health and impact of adverse power conditions, an assessment of the hidden financial and human costs, and finally a custom solution based on Legend's turnkey technologies.
- SmartGATE Platform uses patented technology to correct the power issues uncovered by SmartGATE Insights. The most recently announced version of SmartGATE Platform, has the smallest footprint in the industry, a more affordable price point, and better energy efficiency. It is uniquely suitable for a large array of commercial as well as light-industrial applications, addressing many issues more effectively than anything management has seen in the marketplace to date. Its modular design enables it to address issues today, while being scalable to address energy management issues of tomorrow.

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A key aspect of the Company's growth strategy is partnering with resellers, particularly energy service companies ("ESCO") in the U.S. as it establishes significant new sales channels and revenue streams for the Company. The partnerships provide Legend with instant access to decades-long, trusted relationships in an expanded set of market verticals with little or no marketing, sales or infrastructure costs. Legend continues to secure partnering opportunities with channels, particularly U.S. ESCOs. Based on the industry leading organization NAESCO, the ESCO market in the U.S. is estimated to be a US\$10-15 billion a year business that bundles energy conservation measures for large public entities such as government organizations and others.

Another core element of Legend's business strategy (whether through direct or channel partner sales) is a focus on enterprise-level portfolio solutions. Leading customer engagements with SmartGATE Insights serves to analyze, assess and quantify the financial risk and loss of poor power quality, enabling a fact-based decision to prioritize SmartGATE Platform deployment to fix or mitigate identified issues across multiple buildings at the same time. This approach lowers customer cost for initial engagement, shortens time to SmartGATE Platform purchase, increases likelihood of multi-unit SmartGATE purchases, and compresses the overall sales cycle.

Legend intends to continue to leverage both direct and distribution sales channels to aggressively expand key influencer product adoption and market share in the U.S. and Canada. Key Influencers such as ESCOs are defined as individuals or organizations in a target market with whom Legend has proven its solution to be effective and have developed relationships that actively endorse the product's performance, value, and applicability to other potential customers within their sphere of influence.

Legend's research and development programs are focused on the creation, rapid development, and delivery of unique feature sets driven by customer feedback. This focus has resulted in enhanced product solutions that are being readied and sold now. It is anticipated that these feature sets will, in addition to current energy savings benefits, eliminate organizational risk and loss caused by a range of power quality issues with cost-effective solutions not currently available in the Company's target markets.

#### **U.S. Agencies SmartGATE Validation Strategy**

The United States General Services Administration ("GSA") Green Proving Ground ("GPG") program selected eight product technologies out of over 500 applicants to evaluate as part of the 2022 program, including the SmartGATE Systems technology offered by Legend Power Systems. Under the program, GSA will work with the U.S. Department of Energy's Oak Ridge National Laboratory to validate the technology and conduct measurement and verification to form broad deployment strategies. Oak Ridge Labs is widely recognized for its technical leadership and expertise in building level energy efficiency.

The program aims to drive down GHG emissions, operational costs, stabilize the incoming power in federal buildings and help lead market transformation through the deployment of new technologies. GSA operates approximately 1,800 federally owned buildings. Two initial sites have been selected, and installations are expected in 2024. Within the GPG, the U.S. Federal Government is projected to deploy the first tranche of SmartGATEs in the coming months as part of the GPG program.

Legend Power Systems' SmartGATE technology was also selected for the City of New York's Department of Citywide Administrative Service's ("DCAS") IDEA program, which is similar to the GSA Green Proving Ground program. The City of New York announced a [\\$4 billion plan to make all new schools all-electric and to convert 100 existing schools](#). The City of New York has recently finalized the specification for Active Power Management requiring new build and new renovations for City of New York schools to require an Active Power Management similar to the SmartGATE. The City of New York Public Schools operates over 1,700 schools, as well as all public buildings in the city, and completion of the [IDEA SmartGATE evaluation](#) comes just in time to enable Legend Power Systems SmartGATE Active Power Management to play a significant role in this

massive effort. The City of New York has developed a standard Active Power Management Specification for inclusion in building electrification efforts. Several request for proposals (“RFPs”) have already been released including this specification. Additionally, Legend Power Systems is meeting with the City of New York Electrical Design firms to ensure best practices for Active Power Management are properly incorporated into the City New Build and Renovation projects.

### **Operational Strategies**

The Company continues to evaluate recurring revenue opportunities and has implemented maintenance programs, feature enhancements, extended warranties and project management offerings, from which the Company is now seeing revenues.

Legend initiated a transformation of its business management systems in mid-2022 with the objective of transforming business and manufacturing procedures to increase win rates, increase win velocity, improving efficiency and effectiveness across the Company. Coupled with long-term planning and growth strategies, Legend will scale to meet increasing demand knowing it’s replicating best practices. This Continuous Improvement initiative involves all functions within the Company, and addresses business, manufacturing, customer, partner, supplier, and employee needs now and in the future. To date, Legend has completed the initial transformation phases on 15 of the 25 key elements of its business management system. The remainder have strategic plans in place for implementation when needed as the Company grows.

### **INDUSTRY AND CORPORATE UPDATE**

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#### **Building Energy Efficiency– Electrification & Decarbonization**

The global push to decarbonize our economy, estimated to cost \$2-3 trillion annually for the next 20-30 years, involves significant investment in renewable energy sources like wind, solar, and batteries, as well as in energy-efficient systems for buildings. However, renewable energy sources, which have low inertia, reduce the overall inertia of the electric grid. This reduction in inertia destabilizes the grid, leading to greater voltage fluctuations. These fluctuations can negatively impact critical building systems, such as HVAC, elevators, life safety systems, and other energy-efficient equipment, which require precise power quality to function optimally. The SmartGATE from Legend addresses this challenge by providing full voltage regulation, effectively eliminating the power fluctuations caused by the low-inertia grid and ensuring the reliable operation of these critical systems. This long term global path will drive demand for the SmartGATE for the foreseeable future.

State and municipal governments have added energy efficiency requirements to building codes, and SmartGATE Insights helps keep building owners in compliance, especially in municipal jurisdictions where energy audits are mandated. New York City is particularly stringent about greenhouse gas emissions, having enacted its [Climate Mobilization Act](#). New York City claims that 71% of greenhouse gas emissions are due to commercial buildings and has established emissions caps for buildings over 25,000 square feet. In Washington, D.C., the [Clean Energy DC Omnibus Amendment Act of 2018](#) has also set emissions standards for 50,000 square foot buildings in 2021, scaling down to 10,000 square foot buildings by 2026. Furthermore, New York State in 2019 enacted the [Climate Leadership and Community Protection Act](#) which requires 70% of the state’s electricity to be generated by renewable energy by 2030. As a major strategy to this end, the state is doubling wind and solar generation every year and is expected to be over 25% wind and solar by 2025.

Concurrently, many buildings are deploying high tech building systems for higher efficiency to minimize GHG emissions and attract top tenants. These more sophisticated building systems are negatively impacted by grid volatility. The proliferation of low inertia renewable energy will further increase electric grid volatility. This will increase the need for solutions like the industry leading SmartGATE.

Energy efficiency and decarbonization action extends beyond governments. We've seen continued announcements from major businesses about energy efficiency actions and carbon footprints, including:

- [Microsoft](#) seeks to be carbon negative by 2030 and plans a shift to rely 100% on renewable energy by 2025.
- [Blackrock](#) is shifting to investing in companies that require less fossil fuels.
- [Morgan Stanley](#) building upon its \$800 million impact investing platform by closing a \$110 million fund focused on climate solutions.
- [Apple](#) announced goals to reduce and offset emissions along its entire supply chain and in the production of its iPhones and other devices, in under ten years.
- Amazon announced its US\$2 billion [Climate Pledge Fund](#) to support the development of sustainable and decarbonizing technologies and services.
- [The Inflation Reduction Act](#) allocated US\$369 billion towards energy security and climate change initiatives as well as generous tax credits for renewable energy generation.

Decarbonization of the commercial building sector and power grid infrastructure investments to connect to renewable projects will require three macro changes:

- An increase in renewable power generation, which includes distributed energy resources (wind, solar, storage etc.) deployed throughout the grid in a decentralized manner.
- Electrification of equipment traditionally reliant on fossil fuels (Electric Vehicles, Electric Heat Pumps).
- Continued effort to increase the energy efficiency of commercial buildings. Smarter and more efficient technologies will continue to replace existing equipment within facilities to reduce a building's energy use intensity and reduce demand for electricity.

This applies to new green construction as well as retrofitting existing buildings with power systems that optimize HVAC, lighting, controllers and office equipment. In the past, quantifying energy efficiency in commercial buildings has been difficult. For example, how do you measure the financial losses from a 3-year-old electric elevator motor that ran hot and was undetected until it burnt out years before its anticipated end of life? Legend Power's SmartGATE Insights can detect building power issues so that owners can repair problems early, optimizing the efficiency of electrical equipment and systems. If you can't measure a problem, you can't fix it, and SmartGATE Insights has the data to make informed decisions about commercial building energy efficiency.

#### **How Legend Power's SmartGATE Can Help**

A grid more reliant on renewables is inherently less stable than a centralized grid reliant on large fossil fuel generation due to lower inertia created by low inertia sources like wind and solar. The reliability and quality of power is expected to decline as renewable generation proliferates. Additionally, equipment which drives efficiency for the electrification movement is less tolerant of power challenges and is prone to fail or malfunction when sub-standard power is supplied. The US\$65 billion allocated by the [Bipartisan Infrastructure Law](#) towards clean energy transmission infrastructure will likely compound these issues as more utility-scale renewable energy sources are connected. As the global economy moves towards decarbonization and electrification, grid instability is expected to be pervasive, which should drive strong demand for Legend Power's solutions.

Declining power quality and the requirement for reliable high-quality power as an enabler for efficiency and electrification will continue to limit decarbonization efforts in the building sector. Legend's SmartGATE platform is the only proven solution that addresses this large-scale challenge.

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SmartGATE becomes a critical component as part of any organization's low carbon journey.

### **History of the Company**

Founded in 1987, Legend Power Systems is an electrical energy conservation company that markets an energy management system called SmartGATE. SmartGATE consists of SmartGATE Insights, a diagnostic tool that provides metering and analytics across 38 power quality parameters, and SmartGATE platform, patented technology that corrects the power issues uncovered by Insights.

The vision behind the current SmartGATE platform was driven by CEO Randy Buchamer, who joined as CEO in March 2012 to refocus the organization. Mr. Buchamer was Managing Director, Operations for The Jim Pattison Group and held executive roles with Mohawk Oil Company, where he restructured the firm and completed a successful turnaround. Part of Mr. Buchamer's focus was to concentrate on a single market (Ontario), prove the technology and then expand the model to other geographies, specifically the U.S., a market several times the magnitude of Ontario.

In 2017, the Company doubled revenue in the Ontario market and then raised \$10 million in a bought deal financing at \$0.80 to expand the product portfolio and expand into the New York and Pacific Northwest markets in the U.S.

Legend continues to expand the New York market and build relationships with the key market participants, including the building owners, utilities, and ESCOs in the regions. During Q2 of fiscal 2022, the Company commenced a pilot program with a municipality that has an annual US\$750 million budget dedicated towards energy saving solutions, and received their first order Q3 of fiscal 2024.

Prior to the introduction of SmartGATE Insights, commercial building owners could neither effectively identify nor measure power issues caused by the electrical grid. After analyzing feedback from customers and key participants across all markets, the Company announced a new and improved SmartGATE platform and introduced SmartGATE Insights data collection and analytics tool in fiscal Q1 2020 (period ending December 31, 2019). SmartGATE Insights provides real-time analytics across entire property portfolios, clearly identifying electrical waste and the potential for premature wear or damage to electrical equipment. This visibility has helped to accelerate the sales cycles for several SmartGATE platforms and increased the likelihood of multi-unit orders.

### **Quarterly Update**

In the third quarter of fiscal 2024, Legend Power Systems posted its second consecutive quarter of increased revenue and gross margins. Our achievements this quarter were fueled by significant wins across key verticals and geographic markets, including a major letter of intent with the U.S. Department of Defense.

Furthermore, our strategic focus on partnerships and reseller networks continue to yield substantial results, exemplified by expansions with an Energy Service Company in the United States. This not only reflects the success of our partner/reseller strategy but also signifies our investment in expanding the reseller markets, paving the way for broader adoption of SmartGATE technology.

The Company continued working closely with the U.S. General Services Administration ("GSA") Green Proving Ground program, where SmartGATE systems are being evaluated. The deployment and evaluation schedule continues to progress, with the first unit having shipped this quarter, and plans to build and ship the next systems in the coming weeks. The Company's SmartGATE systems will aid in the development of specifications and standards for GSA's 1,800 federally owned buildings, similar to efforts by the City of New York Schools.

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Previously, the Company published performance results of the first round of Gen3 SmartGATE platforms. These results included a 20% increase in energy savings performance over prior generations as well as elimination of over 99% of incoming grid fluctuations. Several customers have reported that the maintenance and repair savings are outpacing energy savings, in many cases resulting in \$2 of maintenance savings for every \$1 of energy savings. These performance results continue, along with recent deployments, to drive meaningful conversations with partners and customers and have been helpful in influencing decision makers toward adopting Legend's products. This is true for both late stage deals as well as new opportunities.

Sales activity is continuing at a strong pace, as evidenced by new purchase orders from customers, both repeat and new, who continue engaging with deep and wide interest. The strength in viability is driven mainly by customers articulating power quality concerns and higher visible costs. Partner sales efforts also continue to grow in volume, dollars, and strength.

The Company's channel sales team has grown reseller and ESCO relationships, furthering adoption of Insights, Power Impact Reports and SmartGATE solutions. Target markets and reseller channels continue to respond positively to Legend's solutions and combined opportunities. As of the date of this MD&A, the Company is engaged with many organizations interested in becoming Legend selling partners in the U.S. and Canada. The channel sales team continued development of partner support tools for the partner portal including marketing support, sales support, technical support, and deal registration.

With the record results in 2024, strategic direct sales efforts continue to grow with system bookings and new sales opportunities. The current sales booking pipeline is healthy and aligned to support booking target expectations. Continued progress on installation of Gen3 SmartGATE and positive Measurement and Verification Reports are expected to achieve bookings growth in 2025 and beyond.

The Company continues to focus on closing large deals in the pipeline, and in support of both future and current partners, the Company continues to invest in additional Gen3 SmartGATE software features. All materials have been secured for the current backlog and the production schedule reflects delivery of systems throughout 2024 and into early 2025. Overall, the Company has realized a product COGS reduction increasing gross margin projections for fiscal 2024 and beyond.

Our top priorities continue to drive change in operational management and decision-making, targeting improved time-to-cash, sales turnaround, sales win rates, customer satisfaction, data and report quality, reduced lead times and continued cost reduction. The Company is focused on winning deals faster and shipping product sooner. Speed of production has doubled, improving factory utilization and reducing fixed-cost allocations. Along with cost reductions in production materials, our gross margins have improved dramatically over prior periods.

The impact of business and manufacturing process redesign has improved data and production quality & timeliness, allowing for better and faster decision-making, all leading to improved efficiencies and margins. We have seen over a 50% reduction in the time it takes from Insights installation to presentation of the Power Impact Report.

Proactive planning and response to changing environments is now supported with the implementation of an improved sales operations process, an extended rolling forecast and a sales and operational planning forum. The Company continues to improve upon its planning tools, and proactively manages its outlook, allowing time to course-correct, re-align strategies, and optimize the path forward. The Company is laser-focused on optimizing sales for best win-rate, cash flow, and margin, while ensuring opportunity momentum is maintained. Once the customer realizes the potential of SmartGATE, the Power Impact Report "proof-point" will follow shortly after, solidifying their decision to purchase.

Outsourcing of low-cost, high effort sub-assemblies continues, alleviating workload upon the factory and shortening product lead times. With a healthy backlog, we are expanding to support increased product management, assembly, and test. Production and Manufacturing Engineering are focused on quality, cycle time and on-time delivery. With growing demand,



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efforts to reduce both assembly and test times through automation, lean improvements and process re-design have increased, including optimization of test routines for greater coverage and reduced intervention. We continue to investigate outsourcing solutions for all or part of the SmartGATE system.

Operations Review Meetings continue, and new metrics are being developed to monitor performance and support continuous improvement activities. In addition to lead time reductions, since prior year, our on-time delivery metric has improved over 200% and our ESCO win is now installed and operational. Our funnel management, sales operations and rolling forecast processes are now well-established and have improved planning, accuracy, and predictability.

Platform functionality continues to improve as Engineering releases new options and functions to the product. These improvements support sales and installation turnaround time as well as GSA security and performance requirements. Additional, Engineering has embarked on development of larger Gen3 systems to address the growing need for SmartGATES in high power application. These efforts began last quarter and will continue throughout the calendar year.

Management continues to monitor cash and cost-cutting opportunities closely to reduce overall expenditures in support of working capital and growth objectives. Cost reductions continue, lead times have shortened, and gross margins are increasing, all aligned with our operational objectives.

**FINANCIAL RESULTS**

**Financial summary for the three and nine months ended June 30, 2024 and 2023**

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2024	2023	Change	2024	2023	Change
Revenue	1,042,412	470,310	122%	1,167,638	946,979	23%
Cost of sales	522,274	366,307	43%	611,845	747,124	(18)%
Gross margin <sup>1</sup>	520,138	104,003		555,793	199,855	
Gross margin % <sup>1</sup>	50%	22%		48%	21%	
Operating expenses	999,539	1,128,015	(11)%	3,037,366	3,429,420	(11)%
Other income	(2,985)	5,444	(155)%	10,539	17,392	(39)%
Net loss	(482,386)	(1,018,568)	53%	(2,471,034)	(3,212,173)	23%
Adjusted EBITDA <sup>2</sup>	(392,191)	(883,821)	56%	(2,175,010)	(2,769,341)	21%

<sup>1</sup> Gross margin is based on a blend of both equipment and installation revenue.

<sup>2</sup> Adjusted EBITDA is a non-IFRS financial measure. See EBITDA Reconciliation for details.

Revenue for the three months ended June 30, 2024, was \$1,042,412 compared with \$470,310 in the same quarter of fiscal 2023. The increase in revenue during Q3 of fiscal 2024 was primarily due to an increase in the number of SmartGATE units delivered during the period.

Gross margin in the third quarter of fiscal 2024 was \$520,138 (50%), compared with \$104,003 (22%) in same quarter of fiscal 2023. The increase in gross margins in Q3 of fiscal 2024 was due to an increase in the average selling price of SmartGATE units.

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The Company's operating expenses for the third quarter of fiscal 2024 were \$999,539, down from \$1,128,015 in the same quarter of fiscal 2023. The primary cause for the decrease was lower salaries and consulting costs as a result of internal cost cutting measures.

Adjusted EBITDA for the third quarter of fiscal 2024 was negative \$392,191, compared with negative \$883,821 in same quarter of fiscal 2023.

Net loss for the third quarter of fiscal 2024 was \$482,386, compared with a net loss of \$1,018,568 in the same quarter of fiscal 2023. Increase in gross margins and decreased operating costs in Q3 of fiscal 2024 compared with the same quarter of fiscal 2023 resulted in a lower net loss.

**Significant Operating Expenses**

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2024	2023	Change	2024	2023	Change
Salaries and consulting	600,670	679,225	(12)%	1,892,772	2,052,642	(8)%
General and administrative	129,581	136,372	(5)%	378,322	427,510	(12)%
Selling costs	89,746	11,448	684%	174,728	61,357	185%
Product development	40,881	103,916	(61)%	121,754	273,323	(55)%
Professional fees	36,347	46,631	(22)%	140,904	141,645	(1)%
Share-based compensation	56,679	78,742	(28)%	211,477	270,433	(22)%
Amortization and depreciation	32,507	63,935	(49)%	107,100	198,414	(46)%
Warranty expense	8,797	7,339	20%	3,948	2,209	79%
Foreign exchange loss	3,231	407	694%	4,487	1,887	138%

- Salaries and consulting fees for the third quarter of fiscal 2024 of \$600,670, were down from \$679,225 during the same quarter of fiscal 2023. The decrease in Q3 of fiscal 2024 was due to internal cost cutting measures.
- General and overhead costs for the third quarter of fiscal 2024 were \$129,581, a decrease from \$136,372 during the same quarter of fiscal 2023. The Company continues to monitor general and administrative costs closely.
- Selling costs for the third quarter of fiscal 2024 were \$89,746, up from \$11,448 during the same quarter of fiscal 2023 primarily due to an increase in commission expense.
- Product development costs for the third quarter of fiscal 2024 were \$40,881, down from \$103,916 during the same quarter of fiscal 2023. The engineering team continues to work on systems' remote commands functionality which allows the Company to communicate remotely with the Gen3 SmartGATE units in the field.
- Professional fees for the third quarter of fiscal 2024 were \$36,347, down from \$46,631 in the same quarter of fiscal 2023 due in most part to decrease in audit and tax preparation fees.
- Share-based compensation expense arises from grants of incentive stock options to employees, officers, directors and consultants, and is expensed in relation to the fair value and vesting periods associated with the options granted, including past years' grants. This expense for the third quarter of fiscal 2024 was \$56,679, compared to \$78,742 in the same quarter of fiscal 2023. The decrease in Q3 of fiscal 2024 was due to a lower number of options vesting during the period compared to the same quarter of fiscal 2023.

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- Warranty expense for the third quarter of fiscal 2024 was \$8,797, compared with \$7,339 in the same quarter of fiscal 2023. The Company provides a 1-year, 3-year or 10-year warranty with the sale of its SmartGATE systems. The Company's calculation of warranty provision is based on estimations and assumptions related to the need for replacement of certain components of SmartGATE in the future. Warranty provision is calculated each reporting period based on actual warranty costs incurred and an updated projection of all future warranty claims.

**Quarterly Trends**

(Cdn\$, unless noted otherwise)

	Fiscal 2023					Fiscal 2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	578,828	402,663	74,006	470,310	159,114	1,548	123,678	1,042,412
Gross margin <sup>1</sup>	60,897	100,711	(4,859)	104,003	(5,674)	(21,116)	56,771	520,138
Operating expenses	1,172,330	1,112,996	1,188,409	1,128,015	1,001,073	1,069,588	968,239	999,539
Operating loss	(1,111,433)	(1,012,285)	(1,193,268)	(1,024,012)	(1,006,747)	(1,090,704)	(911,468)	(479,401)
Net loss	(1,144,240)	(1,005,514)	(1,188,091)	(1,018,568)	(969,729)	(1,081,490)	(907,158)	(482,386)
Loss per common share <sup>2</sup>	(.010)	(.009)	(.010)	(.009)	(.008)	(.008)	(.007)	(.004)

<sup>1</sup> Gross margin is based on a blend of both equipment and installation revenue.

<sup>2</sup> Basic and diluted.

Our quarterly revenues do naturally fluctuate, which management deems consistent with a technology company perfecting the execution of its business model while transitioning into a high growth stage. The Company's sales cycle has historically been up to 12 months, which exposes reported revenue to unevenness related to customer buying cycles.

Our gross margin on a quarterly basis is variable and reflects the mix of product versus installation revenue and any inventory adjustments that are tied to changes in component pricing, technology, and product offering/design or write-downs. The negative margins in Q4 of fiscal 2023 and Q1 for fiscal 2024, were the result of allocated fixed costs incurred. The Company continues to work diligently in sourcing lower cost alternatives to components and improving the efficiency in producing the new Gen3 units.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

(Cdn\$, unless noted otherwise)	Nine months ended June 30,		
	2024	2023	Change
Cash used in operating activities	(1,552,713)	(2,434,353)	(36)%
Cash used in investing activities	(7,837)	-	
Cash used in financing activities	(136,571)	(128,458)	6%
Net change in cash and cash equivalents	(1,697,121)	(2,562,811)	(34)%

**Cash used in operating activities**

During the third quarter of fiscal 2024, cash used in operating activities was \$1,552,713, a decrease from \$2,434,353 in the same period of fiscal 2023. The decreased use of cash in operations during Q3 of fiscal 2024 was due primarily to a decrease in net loss for the period, along with an inflow of cash from deferred revenue.

**Cash used in investing activities**

During the third quarter of fiscal 2024, cash used in investing activities was \$7,837 compared with \$nil during the same quarter of fiscal 2023.

**Cash used in financing activities**

During the third quarter of fiscal 2024, cash used in financing activities was \$136,571 compared with \$128,458 during the same quarter of fiscal 2023. The increase in cash used in financing activities during Q3 of fiscal 2024 can be attributed to the increase in payment of lease obligations.

Working Capital Items

(Cdn\$, unless noted otherwise)	As at June 30, 2024	As at September 30, 2023	Change
Cash and cash equivalents	805,870	2,506,336	(68)%
Trade receivables	89,749	214,103	(58)%
Due from customers on contract	10,211	10,211	-
Prepaid expenses and deposits	98,315	74,729	32%
Inventory	1,757,898	1,862,904	(6)%
<b>Total current assets</b>	<b>2,762,043</b>	<b>4,668,283</b>	<b>(41)%</b>
Account payable	179,923	105,044	71%
Accrued liabilities	353,848	396,354	(11)%
Deferred revenue	524,127	210,827	149%
Lease liability	137,691	114,415	20%
Warranty provision	45,071	51,381	(12)%
<b>Total current liabilities</b>	<b>1,240,660</b>	<b>878,021</b>	<b>41%</b>
<b>Working capital</b>	<b>1,521,383</b>	<b>3,790,262</b>	<b>(60)%</b>

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**Liquidity and capital resources measures**

As at June 30, 2024, the Company had cash and cash equivalents of \$805,870 (September 30, 2023 - \$2,506,336), total current assets of \$2,762,043 (September 30, 2023 - \$4,668,283) and current liabilities of \$1,240,660 (September 30, 2023 - \$878,021). As at June 30, 2024, the Company had working capital of \$1,521,383 (September 30, 2023 - \$3,790,262).

Based on working capital as at June 30, 2024, forecasted sales and cash inflows and requirements for fiscal 2024, management believes the Company has sufficient working capital to continue business operations into fiscal 2024. The Company has a healthy backlog where shipments of SmartGATE units in the next few months, will generate an increase in cash inflow. In the event that revenues increase, or additional funding is realized, the Company's ability to operate and grow the business will be extended.

The Company has historically relied on equity financing to raise the requisite financial resources. There is no assurance that profitability will be achieved or that management will be successful in obtaining financing when and if required on terms acceptable to the Company.

**Trade Receivables**

Accounts receivable at June 30, 2024, was \$89,749, down from \$214,103 at September 30, 2023. The Company's cash collection cycle is typically longer than most due to the varying nature of customer scheduling constraints, and the multi-step process associated with installation and commissioning of our technology.

**Due from Customers on contract**

Due from customers on contract of \$10,211 at June 30, 2024 and \$10,211 at September 30, 2023, relates to systems delivered and/or installation services provided for sales transactions where revenue has been recognized but customers have not yet been invoiced.

**Inventory**

Inventory at June 30, 2024, was \$1,757,898, a 6% decrease from \$1,862,904 at September 30, 2023. The Company's strategy is to advance the purchase of sufficient materials to fulfill at least 3-months of projected orders. The Company's ability to fulfill customer orders on a timely basis is dependent on carrying inventory of various components, in particular those components with lengthy lead times for delivery.

**Current Liabilities**

Account payables and accrued liabilities at June 30, 2024, were \$179,923 and \$353,848, respectively, compared with \$105,044 and \$396,354 at September 30, 2023. Trade payables and accrued liabilities tend to fluctuate with no particular pattern.

Current lease liability which at June 30, 2024, was \$137,691, compared with \$114,415 at September 30, 2023.

At June 30, 2024, the current portion of warranty provision was \$45,071 compared with \$51,381 at September 30, 2023.

**Contractual Obligations and Contingencies**

The Company has an employment agreement with the President and 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.

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**Outstanding Share Data**

Class of Security	Number outstanding at September 30, 2023	Net issued (equity offering, grants, cancellation, exercises or forfeitures)	Number outstanding at June 30, 2024	Net issued (grants, cancellations, exercises)	Number outstanding at August 22, 2024
Shares <sup>1</sup>	131,694,417	-	131,694,417	50,000	131,744,417
Options	9,344,081	(1,673,515)	7,670,566	-	7,670,566
Warrants	14,117,113	-	14,117,113	(50,000)	14,067,113

<sup>1</sup> The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid.

**Incentive stock options**

During the nine months ended June 30, 2024, 375,000 stock options were granted, 1,740,000 stock options expired and 308,515 stock options were forfeited. Subsequent to June 30, 2024, and to the date of this report 50,000 common shares were issued upon the exercise of warrants.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**RISKS AND UNCERTAINTIES**

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. The risks and uncertainties discussed in the Company's MD&A dated December 21, 2023 remain unchanged.

**RELATED PARTY DISCLOSURES**

The Company entered into the following related party transactions during the three months and nine months ended June 30, 2024 and 2023. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

**Transactions with Key Management Personnel**

During the three months and nine months ended June 30, 2024, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), CFO (Ms. Florence Tan), and COO (Mr. Paul Moffat).

	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

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**Transactions with Other Related Parties**

The following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Dave Guebert, Cosimo La Porta and Jonathan Lansky):

	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.

**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

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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.

**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).



## EBITDA RECONCILIATION

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We are disclosing Adjusted EBITDA as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before; interest, income taxes, amortization, depreciation, accretion, non-cash stock-based compensation and foreign exchange gains and losses. Management believes that this supplementary financials measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends. We believe the Adjusted EBITDA to be useful in providing an indication of the operational results of our business.

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2024	2023	Change	2024	2023	Change
Net loss	(482,386)	(1,018,568)	(53)%	(2,471,034)	(3,212,173)	(23)%
Add/(deduct):						
Foreign exchange gain	3,231	407	694%	4,487	1,887	138%
Other income	(2,222)	(8,337)	(73)%	(27,040)	(27,902)	(3)%
Amortization and depreciation	32,507	63,935	(49)%	107,100	198,414	(46)%
Share based compensation	56,679	78,742	(28)%	211,477	270,433	(22)%
<b>Adjusted EBITDA</b>	<b>(392,191)</b>	<b>(883,821)</b>	<b>(56)%</b>	<b>(2,175,010)</b>	<b>(2,769,341)</b>	<b>(21)%</b>

## OTHER MD&A REQUIREMENTS

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Additional information relating to the Company may be found at SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or the Company's website at [www.legendpower.com](http://www.legendpower.com), in the Company's condensed interim consolidated financial statements for the three months and nine months ended June 30, 2024, and the Company's consolidated financial statements for the years ended September 30, 2023 and 2022.

### Approval

The Board of Directors of the Company has approved the disclosure contained in this Management's Discussion and Analysis.

On Behalf of the Board of Directors,  
"Randy Buchamer"

Randy Buchamer, President, CEO and Director, August 22, 2024