

Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS Years ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

December 21, 2023



Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



www.legendpower.com

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 at December 21, 2023, and should be read in conjunction with the Company's consolidated financial statements for the years ended September 30, 2023 and 2022 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 December 21, 2023.

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 and the Company's website at 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.sedar.com. 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, combined with SmartGATE Insights™ (a metering and analytics package) is a single-solution active power management platform that enables owners/operators of light-industrial and commercial buildings to both diagnose and then overcome the building-level impacts of electric grid volatility which results in a less than optimal power supply.

This less-than-optimal power wastes energy and decreases the reliability and lifetime of critical building systems resulting in higher expenses and greenhouse gas (“GHG”) emissions for building owners and operators. These 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 as a countermeasure to mitigate the challenges of line-loss across a feeder length and the variable nature of power supply and demand. That variability is further exacerbated by the inconsistent production and availability of renewable energy sources added to the electric 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, premature equipment failure, a larger than necessary environmental footprint for the affected building, unpredictable power availability, and potential tenant/occupant issues. All these issues represent increased expenses, lower profits, and lower valuations. Legend utilizes a proprietary and patented technology platform to first assess a building’s inbound power, then regulate and optimize the building’s voltage and manage its total power consumption. SmartGATE’s modular and extensible design, particularly its software-driven controller, 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 Active Power Management is a grid interactive technology platform that 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, 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, 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 a smaller footprint, 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, and future upgrades will address other energy management issues identified by the marketplace.

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.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



ESCOs. Based on 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 to focus on enterprise-level sales of a portfolio solution. Leading customer engagements with SmartGATE Insights Service as a means to analyze and assess buildings to quantify financial risk and loss due to poor power quality, enables a fact-based decision to prioritize SmartGATE Platform deployment to fix or mitigate identified issues. This approach lowers customer cost for initial engagement, shortens time to SmartGATE Platform purchase, increases likelihood of multi-unit SmartGATE purchases, and compresses the sales cycle time.

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 performances, value, and applicability to other potential customers within their sphere of influence.

Legend's U.S. expansion is ongoing with a primary presence in New York City and indirect presence in a growing number of other major U.S. metropolitan areas by virtue of customer engagement driven by our channel partner networks.

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 IDEA program, which is similar to the GSA Green Proving Ground program. The City of New York recently announced a [\\$4 billion plan to convert New York City Schools to all electric power](#). 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.

North American Commercial Real Estate Progress

Legend Power Systems SmartGATE is deployed in several key Commercial Real Estate verticals such as Multi-family Residential, Hospitality, Big Box Retail and Commercial Office, accounting for roughly 50% of installed SmartGATE's. Additionally, Legend Power Systems is engaged in active sales processes with several of the top firms in the Commercial Real Estate space, with over 196 buildings in active sales cycles for over 400 plus potential SmartGATEs. Over the past 24 months, Legend Power Systems has received multiple double digit SmartGATE orders from leading commercial real estate providers across North America.

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 has initiated a transformation of its business management systems with the objective of streamlining Company processes to improve efficiency and effectiveness. 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, customer, partner and employee needs now and in the future.

INDUSTRY AND CORPORATE UPDATE

Building Energy Efficiency for Decarbonization

Buildings are responsible for [36%](#) of all carbon dioxide emissions in the United States.

According to the U.S. Energy Information Administration ("EIA"), in 2022 about 94%¹ (4,550 trillion Btus) of the primary energy consumed by America's commercial buildings was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 78.498 quadrillion Btus² during the same period, meaning that the commercial sector accounted for about 5.8% of America's total fossil fuel consumption.

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 will 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. This proliferation of low inertia energy will further increase the need for solutions like the industry leading SmartGATE.

¹ [Commercial Energy Sector Consumption](#), EIA

² [November 2023 Monthly Energy Review](#), EIA

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 grid 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.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



SmartGATE enables a lower carbon building strategy by correcting common power challenges associated with renewable power sources while increasing a building's overall efficiency and resiliency for decades to come.

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 building 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.

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.

Corporate Update

During fiscal 2023, the Company continued working with the U.S. General Services Administration ("GSA") Green Proving Ground program, where SmartGATE systems are being evaluated. 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. The deployment and evaluation schedule is well under way, with plans to build and ship the first systems early fiscal 2024.

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.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



Sales activity is continuing at a strong pace, and customers are engaging with deep and wide interest. We currently have new late-stage large deals with very strong financial viability. The new late-stage deals are in commercial office, multifamily residential and with ESCOs. The strength in viability is driven mainly by customers articulating power quality concerns and higher visible costs. The handful of late-stage deals could bring over \$18 million in new potential bookings near term with long term total pipeline north of \$100 million. 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 both 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 onset of fiscal 2024, strategic direct sales efforts continue to grow with system bookings and new sales opportunities pipeline. The current sales booking pipeline is healthy and in-line to support booking target expectations. Continued progress on installation of Gen3 SmartGATE and positive Measurement and Verification Reports should achieve bookings growth in fiscal 2024.

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 in 2023 and early 2024. Overall, the Company has realized a product COGS reduction increasing gross margin objectives for fiscal 2024 and beyond.

With the completion of the Company's strategic plan, the top-5 priorities have been initiated to drive dramatic change in operational management and decision-making; targeting improved time-to-cash, sales turnaround, customer satisfaction, data and report quality and continued cost reduction. The Company is focused on winning deals faster. Significant process redesign has occurred to leverage automation and reducing manual processes. This will lead to better data, aiding faster and easier customer decisions. The executive leadership team meets on a regular basis to review late stage, high value critical strategic deals to ensure timely and aggressive strategies to win these significant opportunities.

Additionally, 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 & operational planning forum. The Company is now able to proactively manage its outlook, maximizing the opportunity to improve going forward. Improvements focus on optimizing sales for best win-rate 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.

Plans are in place to provide increased resource and capacity at the current facility, and outsourcing of more than 30% of sub-assembly work has been finalized, reducing production lead time. Production and Manufacturing Engineering are focused on quality, accuracy, cycle time and lead time. As demand is growing, efforts are underway to reduce both assembly and test times through automation and streamlining. Sub-assemblies are being outsourced and test routines are being optimized for greater coverage and reduced intervention. The Company has solidified its planning and inventory systems allowing for optimization of working capital.

Operations Review Meetings continue on a regular basis and improvements are being noted across a variety of departmental metrics. With the re-design of our funnel management and sales operations process, a dashboard of sales measures is available for on-going review and decision-making, supporting our new Sales & Operations Process.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



The Engineering team has completed one of two planned functionality improvements with the second to be finalized this year. These improvements support sales and installation turnaround time as well as GSA security and performance requirements. Engineering continues to utilize the in-house software test platform to qualify all new releases.

Management continues to monitor cash and cost-cutting opportunities closely to reduce overall expenditures in support of working capital and growth objectives.

FINANCIAL RESULTS

Financial summary for the three and twelve months ended September 30, 2023 and 2022

(Cdn\$, unless noted otherwise)	Three months ended September 30,			Years ended September 30,		
	2023	2022	Change	2023	2022	Change
Revenue	159,114	578,828	(73)%	1,106,093	2,118,033	(48)%
Cost of sales	164,788	517,931	(68)%	911,912	1,913,680	(52)%
Gross margin ¹	(5,674)	60,897	(109)%	194,181	204,353	(5)%
Gross margin % ¹	(4)%	11%	(15)%	18%	10%	8%
Operating expenses	(1,001,073)	(1,172,330)	(15)%	(4,430,493)	(5,570,858)	(20)%
Adjusted EBITDA ²	(885,809)	(893,159)	(1)%	(3,655,150)	(4,561,706)	(20)%
Net loss	(969,729)	(1,091,099)	(11)%	(4,181,902)	(5,346,171)	(22)%

¹ Gross margin is based on a blend of both equipment and installation revenue.

² Adjusted EBITDA is a non-IFRS financial measure. See EBITDA Reconciliation for details.

Revenue for the fourth quarter of 2023 was \$159,114 compared with \$578,828 in the same quarter of fiscal 2022. The lower revenue during Q4 of fiscal 2023 was primarily due to a decrease in the number of completed installation of SmartGATE units. Revenue for the year ended September 30, 2023, was \$1,106,093 down from \$2,118,033 in fiscal 2022. The lower revenue in fiscal 2023 is due to a lower number of units sold; however, both deal size and average revenue per unit are increasing.

Gross margin in the fourth quarter of fiscal 2023 was negative 4%, compared with 11% in the same quarter of fiscal 2022. Negative margins in Q4 of fiscal 2023, were the result of allocated fixed costs incurred. Gross margins normalized for these allocated fixed costs would've been 33%. Gross margin for the year ended September 30, 2023 was 18% compared to 10% in fiscal 2022. The increase in gross margin experienced in fiscal 2023 was due to an increase in average selling price of the SmartGATE units.

The Company's operating expenses for the fourth quarter of fiscal 2023 were \$1,001,073, down from \$1,172,330 in the same quarter of fiscal 2022. Operating expenses for the year ended September 30, 2023 was \$4,430,493 versus \$5,570,858 in fiscal 2022. The primary cause for the decrease was lower salaries and consulting costs as a result of internal cost cutting measures.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



www.legendpower.com

Adjusted EBITDA for the fourth quarter of fiscal 2023 was negative \$885,809, compared with negative \$893,159 in the same quarter of fiscal 2022. For the year ended September 30, 2023, adjusted EBITDA was negative \$3,655,150 compared to negative \$4,561,706 in fiscal 2022.

Net loss for the fourth quarter of fiscal 2023 was \$969,729, compared with a net loss of \$1,091,099 in the same quarter of fiscal 2022. Higher gross margin, and cost cutting measures taken resulted in a lower net loss year-over-year.

Significant Operating Expenses

(Cdn\$, unless noted otherwise)	Three months ended September 30,			Years ended September 30,		
	2023	2022	Change	2023	2022	Change
Salaries and consulting	699,935	724,579	(3)%	2,752,577	3,362,230	(18)%
General and administrative	120,579	140,004	(14)%	548,089	585,254	(6)%
Selling costs	10,765	9,914	9%	72,122	322,062	(78)%
Product development	56,328	138,298	(59)%	329,651	486,045	(32)%
Professional fees	68,383	83,591	(18)%	210,028	202,146	4%
Share-based compensation	66,733	100,995	(34)%	337,166	513,422	(34)%
Amortization and depreciation	19,000	56,444	(66)%	217,414	188,376	15%
Warranty recovery	(44,793)	(92,568)	(52)%	(42,584)	(208,451)	(80)%

- Salaries and consulting fees for the fourth quarter of fiscal 2023 of \$699,935, were down from \$724,579 during the same quarter of fiscal 2022. For the year ended September 30, 2023, salaries and consulting were \$2,752,577 compared to \$3,362,230 in fiscal 2022. The decrease in fiscal 2023 was due internal cost cutting measures.
- General and administrative expenses for the fourth quarter of fiscal 2023 were \$120,579, a decrease from \$140,004 during the same quarter of fiscal 2022. For the year ended September 30, 2023, general and administrative expenses were \$548,089 compared to \$585,254 in fiscal 2022. The Company continues to monitor general and administrative expenses closely, and sources more cost-effective options where available.
- Selling costs for the fourth quarter of fiscal 2023 were \$10,765, an increase from \$9,914 during the same quarter of fiscal 2022. For the year ended September 30, 2023, selling costs were \$72,122, down from \$322,062 in fiscal 2022. The decrease in selling costs is mainly due to the Company's investment in a New York city proof-of-concept based opportunity in fiscal 2022.
- Product development costs for the fourth quarter of fiscal 2023 were \$56,328, a decrease from \$138,298 during the same quarter of fiscal 2022. For the year ended September 30, 2023, product development costs were \$329,651 down from \$486,045 in fiscal 2022. The engineering team continues to work on the systems' remote commands functionality which allows the Company to communicate remotely with Gen3 SmartGATE units in the field.
- Professional fees for the fourth quarter of fiscal 2023 were \$68,383, down from \$83,591 in the same quarter of fiscal 2022. For the year ended September 30, 2023, professional fees were \$210,028 compared with \$202,146. Professional fees consist of legal fees, audit fees and tax preparation costs.
- 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 fourth quarter of fiscal 2023 was \$66,733, compared to \$100,995 in the

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



www.legendpower.com

same quarter of fiscal 2022. For the year ended September 30, 2023, share-based compensation expense was \$337,166 compared to \$513,422 in fiscal 2022. The decrease in fiscal 2023 was due to a smaller number of options vesting compared to 2022.

- Warranty recovery for the fourth quarter of fiscal 2023 was \$44,793 compared with \$92,568 in the same quarter of fiscal 2022. For the year ended September 30, 2023, warranty recovery was \$42,584 compared to \$208,451 in fiscal 2022. The primary cause of the warranty recovery was due to fewer warranty claims, and the expiration of existing warranty provisions. The Company provides a 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 future replacement of SmartGATE™ components. Warranty provision is calculated each reporting period based on actual warranty costs incurred and an updated projection of all future warranty claims.

Select Annual Information

(Cdn\$, unless noted otherwise)	2023	2022	2021
Revenue	1,106,093	2,118,033	2,713,816
Gross margin ¹	194,181	204,353	571,251
Operating loss	(4,236,312)	(5,366,505)	(4,041,549)
Net loss	(4,181,902)	(5,346,171)	(3,837,766)
Loss per share (basic and diluted)	(.03)	(.04)	(.04)
Total assets	5,229,215	6,304,129	11,797,138
Total long-term financial liabilities	311,575	63,542	191,927
Cash dividend	-	-	-

¹ Gross margin is based on a blend of both equipment and installation revenue.

Quarterly Trends

(Cdn\$, unless otherwise noted)

	Fiscal 2022				Fiscal 2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	169,220	343,573	1,026,412	578,828	402,663	74,006	470,310	159,114
Gross margin ¹	37,248	57,561	48,647	60,897	100,711	(4,859)	104,003	(5,674)
Operating expenses	1,319,476	1,536,477	1,542,575	1,172,330	1,112,996	1,188,409	1,128,015	1,001,073
Operating loss	(1,282,228)	(1,478,916)	(1,493,928)	(1,111,433)	(1,012,285)	(1,193,268)	(1,024,012)	(1,006,747)
Net loss	(1,229,961)	(1,479,789)	(1,492,181)	(1,144,240)	(1,005,514)	(1,188,091)	(1,018,568)	(969,729)
Loss per common share ²	(.011)	(.012)	(.013)	(.010)	(.009)	(.010)	(.009)	(.008)

¹ Gross margin is based on a blend of both equipment and installation revenue.

² 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 through a high growth stage. The Company's sales cycle has

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



historically been up to 12 months which exposes reported revenue to unevenness related to customer buying cycles. Historically, this unevenness in revenue has been seasonal and most pronounced during the Company's third quarter.

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 Q2 of fiscal 2023, the negative gross margins were the result of additional costs incurred to replace and repair a unit damaged in-transit. The Company expects to recover the majority of these costs incurred in the following months. Further, negative margins in Q4 of fiscal 2023, 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)	Years ended September 30,		
	2023	2022	Change
Cash used in operating activities	(2,893,259)	(6,072,781)	(52)%
Cash used in investing activities	-	(62,808)	(100)%
Cash provided by (used in) financing activities	2,323,797	(160,529)	(1548)%
Net change in cash and cash equivalents	(569,462)	(6,296,118)	(91)%

Cash used in operating activities

During the year ended September 30, 2023, cash used in operating activities was \$2,893,259 down significantly from \$6,072,781 in fiscal 2022. The decrease in use of cash from operations in fiscal 2023 was due primarily to an decrease in net loss of approximately \$1,200,000 combined with an inflow of cash associated with accounts receivable, due from customers on contract and customer deposits.

Cash used in investing activities

During the year ended September 30, 2023, cash used in investing activities was \$nil, compared with cash used for investing activities of \$62,808 in fiscal 2022. The decrease was primarily due to the investment in developing the partner portal and website in fiscal 2022.

Cash provided by financing activities

During the year ended September 30, 2023 cash provided by financing activities was \$2,323,797 compared with negative \$160,529 in fiscal 2022. The increase was mainly due to the \$2.5 million non-brokered financing completed in fiscal 2023.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



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Working Capital Items

(Cdn\$, unless noted otherwise)	As at September 30, 2023	As at September 30, 2022	Change
Cash and cash equivalents	2,506,336	3,085,986	(19)%
Trade and other receivables	214,103	716,146	(70)%
Due from customers on contract	10,211	206,311	(95)%
Prepaid expenses and deposits	74,729	329,050	(77)%
Inventory	1,862,904	1,589,593	17%
Total current assets	4,668,283	5,927,086	(21)%
Account payable	105,044	212,928	(51)%
Accrued liabilities	396,354	345,041	15%
Deferred revenue	210,827	30,699	587%
Lease liability	114,415	125,620	(9)%
Warranty provision	51,381	69,313	(26)%
Total current liabilities	878,021	783,601	12%
Working capital	3,790,262	5,143,485	(26)%

Liquidity and capital resources measures

As at September 30, 2023, the Company had cash and cash equivalents of \$2,506,336 (September 30, 2022 - \$3,085,986), total current assets of \$4,668,283 (September 30, 2022 - \$5,927,086) and current liabilities of \$878,021 (September 30, 2022 - \$783,601). As at September 30, 2023, the Company had working capital of \$3,790,262 (September 30, 2022 - \$5,143,485).

Based on working capital as at September 30, 2023, 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. 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 September 30, 2023 was \$214,103 down from \$716,146 at September 30, 2022. 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 September 30, 2023 and \$206,311 at September 30, 2022, relates to systems delivered and/or installation services provided for sales transactions where revenue has been recognized, but customers have not yet been invoiced.

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023

Inventory

Inventory at September 30, 2023 was \$1,862,904, a 17% increase from \$1,589,593 at September 30, 2022. The Company's strategy is to advance purchase 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.

Current Liabilities

Trade payables and accrued liabilities at September 30, 2023 were \$105,044 and \$396,354, respectively, compared with \$212,928 and \$345,041 at September 30, 2022. Trade payables and accrued liabilities tend to fluctuate with no particular pattern.

As of October 1, 2019, the Company adopted IFRS-16 Leases, resulting in the recording of a current lease liability which at September 30, 2023 was \$114,415, compared with \$125,620 at September 30, 2022.

At September 30, 2023, the current portion of warranty provision was \$51,381 compared with \$69,313 at September 30, 2022.

Contractual Obligations and Contingencies

The Company has an employment agreement with the President and CEO and the 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.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2022	Net issued (equity offering, grants, cancellation, exercises or forfeitures)	Number outstanding at September 30, 2023	Net issued (grants, cancellations, exercises)	Number outstanding at December 21, 2023
Shares ¹	117,568,971	14,125,446	131,694,417	-	131,694,417
Options	7,979,813	1,364,268	9,344,081	348,333	9,692,414
Warrants	7,716,800	6,400,313	14,117,113	-	14,117,113

¹ 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 year ended September 30, 2023, 2,245,000 stock options were granted, 8,333 were exercised, 595,000 expired, and 277,399 stock options were forfeited. Subsequent to September 30, 2023, and to the date of this report a total of 375,000 stock options were granted, and 26,667 were forfeited.

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 below are not the only ones related to the Company. There are additional risks and uncertainties that the Company does not presently know of or that the Company currently considers immaterial which may also impair the Company's business operations. If any of the following risks occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. An investment in the Company's shares is speculative and will be subject to certain material risks. Investors should not invest in securities of the Company unless they can afford to lose their entire investment.

General Risks

An investment in the Company's shares is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of the Company's operations. The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements contained herein. Prospective investors should carefully consider the following risk factors along with the other matters set out herein.

An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. A purchase of any of the securities of the Company involves a high degree of risk and should be undertaken only by purchasers whose financial resources are enough to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Company's securities prior to purchasing any of the securities.

Uncertainty of Revenues

Since the date of incorporation, the Company has had a history of losses, and while the Company does not expect such losses to continue, there can be no assurance that such losses will not continue.

Negative Cash Flow from Operations

The Company has negative operating cash flow. The Company cannot guarantee if it will have positive cash flow from operating activities in future periods. The Company cannot provide any assurance that it will achieve sufficient revenues to achieve or maintain profitability or positive cash flow from operating activities. If the Company does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on the Company's business, financial condition and results of operation and the Company may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding, of which there is no assurance that any required funding will be obtained.

In the event that cash flow from operations do not adequately support the fixed costs of the Company, the Company will then be required to re-evaluate its planned expenditures, reallocate its total resources and may require future financings in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of the Company's existing and planned operations. The presence of these conditions may indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

Financing

The ability of the Company to arrange any further financing will depend in part on the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing.

The Company may not be successful in generating sufficient cash from operations or in raising capital in sufficient amounts on acceptable terms to implement its entire business plan. The failure to generate sufficient cash flows or to raise sufficient funds may require the Company to delay or abandon some or all of its plans or otherwise forego market opportunities and may make it difficult for the Company to respond to competitive pressures, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Limited Operating History

The Company is marketing and selling in the North American market. The ability of the Company to sustain revenue and income in this market segment is not fully proven, and the Company's limited operating history makes an evaluation of the Company's performance and its prospects difficult. The Company's performance and its prospects must be considered in light of the risks, expenses and difficulties encountered by companies in the field of energy efficiency. To address these risks, among other things, the Company must sell SmartGATE™ and build its brand name effectively, continue to grow its infrastructure to accommodate customers, respond to competitive developments and retain and motivate qualified personnel.

Exchange Rate Fluctuations

A portion of the Company's business may be done in U.S. dollars. Therefore, changes in the exchange rates between the Canadian dollar and U.S. dollar may have an adverse effect on the Company's business, financial condition, future prospects and results of operations.

Two Product Company

The success of the Company will be largely dependent upon success with commitments for SmartGATE Insights Service engagements and then ultimately with the ratio of the number of its SmartGATE Platforms that are sold for every SmartGATE Insights engagement completed. There is no guarantee that the market for the Company's products will develop, or that the Company will be successful in deploying its SmartGATE Platforms.

Dependence Upon New Markets; Uncertainty of Acceptance of Product Offerings

The market acceptance of SmartGATE Solutions in North America, outside of Ontario, remains to be proven and the Company's future growth will depend upon successful marketing of SmartGATE Insights and Platform. If the market targeted by the Company fails to develop, develops slower than expected, is successfully and significantly penetrated by competitors or if SmartGATE does not achieve broader market acceptance, the Company's business, results of operations and financial conditions would be materially and adversely affected.

Potential Fluctuations in Results of Operations

The Company does not have an operating history sufficient to assess whether significant fluctuations in operations on a quarterly and/or annual basis will occur. Results of operations may vary partly due to factors which are outside of the Company's control. These factors may include:

- a) demand for, and market acceptance of the Company's products;

- b) introduction of products by competitors;
- c) reliable continuity of service;
- d) reliable supply of materials to the Company;
- e) customer retention;
- f) currency fluctuations;
- g) changes in the pricing policies of suppliers; and
- h) timing and magnitude of expenditures on advertising and promotion.

Competition

At present, SmartGATE™ is the only technology of its kind in North America and the Company holds multiple patents on its technology. Attempts have been made by one other company to achieve voltage regulation electronically, albeit unsuccessfully. There is also a company in the United Kingdom that sells similar equipment but without the critical capability of voltage regulation in the North American market. The Company believes that neither of them have all of the capabilities and features of SmartGATE™. The Company believes that there are no direct competitors today that are focusing on the same target market due to its patent protections. The Company may, however, face additional competition from new market entrants. If and when that does occur in the future, the Company will respond appropriately.

Management of Growth

Internal growth is a principal component of the Company's strategy, and the Company anticipates undergoing a period of expansion in its business. If the Company fails to sustain or effectively manage such growth, its operating results will fluctuate and suffer. The Company's growth depends on its ability to accomplish a number of things, including identifying and developing new geographic markets, developing new products and market acceptance for them, increasing the Company's manufacturing and outsourcing capacity, maintaining current customer and distributor relationships and developing new ones, and successfully managing expansion and arranging the necessary financing.

Any growth the Company achieves will require additional personnel and will increase the scope of both its operating and financial systems and the geographic area of its operations. This will increase its operating complexity and may place significant strain on its management and other resources. The Company may not be able to attract and retain qualified personnel, and its current operating and financial systems and controls may not be adequate to support such growth. The Company's ability to improve its systems and controls may be limited by increased costs, technological challenges or lack of qualified personnel. In addition, the Company's past results may not be indicative of the Company's future prospects or ability to penetrate new markets, which may have different competitive conditions and demographic characteristics than current markets. Failure to effectively manage the budgeting, forecasting and other process control issues arising from growth could materially and adversely affect the Company's business, financial condition and results of operations. In addition, the Company's expense levels are based, in part, on expected future revenues and the Company is limited in its ability to reduce expenses quickly if for any reason its purchase orders do not meet expectations in a particular quarter or year.

The Company may also grow through investment in or acquisition of complementary businesses. In connection with any investment or acquisition the Company makes, however, there may be liabilities that the Company fails to discover or is unable to discover and for which the Company, as successor owner, may be responsible. In addition, acquisitions often result in difficulties in integration, which may place significant strain on management and other resources and disrupt business operations.

The Company's business plan involves expansion of its customer base and technologies resulting in additional funding requirements and hiring of new employees. This growth could potentially place a significant strain on the Company's

financial, management and operational resources. The Company's management, personnel, systems, procedures and controls may not adequately support a rapid expansion. If the Company's executives are unable to manage growth effectively, the Company's business, results of operations and financial condition could be materially and adversely affected.

Dependence on Key Personnel

The Company's success depends significantly upon the continued services of its key technical, sales and senior management personnel. Any officer or employee of the Company can terminate his or her relationship with the Company at any time. There is no assurance the Company can maintain the services of those individuals or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

The Company's future success will also depend on its ability to attract, train, retain and motivate highly qualified technical, marketing, sales and management personnel. Competition for such personnel is intense, and the Company may not be able to attract and retain key personnel. The loss of the services of one or more of the Company's key employees or the Company's failure to attract additional qualified personnel could have a material adverse effect on the Company's business, results of operations and financial condition.

Suppliers

We are dependent on our suppliers, some of which are limited or single-source suppliers, and the inability of these suppliers to deliver necessary components of our products according to our schedule and at prices, quality levels and volumes acceptable to us, or our inability to efficiently manage these components, could have a material adverse effect on our financial condition and operating results.

Our products contain numerous purchased parts which we source globally directly from suppliers, some of which are single-source suppliers, although we attempt to qualify and obtain components from multiple sources whenever feasible. Any significant increases in our production may require us to procure additional components in a short amount of time, and in the past we have also replaced certain suppliers because of their failure to provide components that met our quality control standards or our timing requirements. COVID-19 has had and in some cases is still having an impact on many of our suppliers. At this point the ultimate timing, and whether our suppliers' business and output will return to normal levels is unknown and uncertain. There is no assurance that we will be able to secure additional or alternate sources of supply for our components or develop our own replacements in a timely manner, if at all. If we encounter unexpected difficulties with key suppliers, and if we are unable to fill these needs from other suppliers, we could experience production delays and potential loss of access to important technology and parts for producing, servicing and supporting our products.

This limited, and in many cases single source, supply chain exposes us to multiple potential sources of delivery failure or component shortages for production of our products. Furthermore, unexpected changes in business conditions, materials pricing, labor issues, wars, governmental changes, and natural disasters could also affect our suppliers' abilities to deliver components to us on a timely basis. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to product design changes and delays in product deliveries to our customers, which could hurt our relationships with our customers and result in negative publicity, damage to our brand and a material and adverse effect on our business, prospects, financial condition and operating results.

Changes in our supply chain may lead to an increased cost for our products. We have also experienced cost increases from certain suppliers in order to meet our quality targets and timelines as well as due to our design changes, and we may experience similar cost increases in the future. Certain suppliers have sought to renegotiate the terms of supply arrangements. Additionally, we are negotiating with existing suppliers for cost reductions and are seeking new and less expensive suppliers for certain parts. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



results will suffer. In particular there is currently a shortage of semiconductor chip products and capacitors. Many suppliers are not able to fulfill orders on short notice resulting in long lead times for ordering these components, and often at higher price points.

Government Regulation

Canadian and American, Provincial/State and Federal statutes concerning electrical safety require the Company's products to be approved listed products. All products manufactured, sold and installed by the Company are subject to safety certification procedures by approved safety bodies, and are listed products.

Insurance

A defect in the products manufactured by the Company or in the installation process could result in serious personal injury, property damage, and lost hours of operation and revenue. Although the Company carries general liability insurance of up to \$10,000,000, it is not fully insured against all risks, nor are all such risks fully insurable.

Product Liability

A malfunction of the Company's products could result in tort or warranty claims. Even where a claim is without merit, the costs of defending could be substantial in terms of actual monetary expense as well as diversion of managerial attention. Any liability for damages resulting from malfunctions of the Company's products or other costs incurred to remedy the problem, such as product recalls, could be substantial and could increase the Company's expenses and prevent the Company from growing its business. In addition, a well-publicized actual or perceived problem could adversely affect market perception of the Company's products. This could result in a decline in demand for the Company's products, which would reduce its revenue and harm its business.

Dividends

During the most recently completed financial period, no dividends were paid on the common shares issued and outstanding. It is not expected that dividends will be paid on the common shares in the foreseeable future as it is the Company's current policy to retain earnings to finance expansion and to otherwise fund operations, unless profits far exceed such requirements. Future payment of dividends will be dependent upon the Company's financial condition, financial requirements to fund future growth, and other factors the Board of Directors may consider appropriate in the circumstances. Until the Company pays dividends, which it may never do, shareholders will not be able to receive a return on their common shares unless they sell them.

Share Price

Legend's share price has been highly volatile following its TSX-V listing on July 3, 2008 due to market conditions and may continue to experience significant fluctuation in the future. Among the factors that could affect Legend's share price are: quarterly variations in operating results, news announcements, research reports by analysts and other developments with respect to the Company's industry or competitors, changes in general market conditions, lack of liquidity in the marketplace and domestic and international economic factors unrelated to the Company's performance.

The markets for equity securities of technology companies have been highly volatile recently and the market price of Legend's common shares may be subject to innovations or new products by the Company or its competitors, fluctuations in energy prices, patent or proprietary rights developments and market conditions for high technology stocks in general. In addition, stock markets in recent years have experienced extreme price and volume fluctuations that often have been

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



unrelated or disproportionate to the operating performance of individual companies. These market fluctuations may adversely affect the market price of Legend's shares. There can be no assurance that the trading price of Legend's shares will remain at or near the current trading price.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the years ended September 30, 2022 and 2021. 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

The following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), ex-CFO (Mr. Steve Vanry), new CFO (Ms. Florence Tan), and COO (Mr. Paul Moffat):

	2023	2022
	\$	\$
Salaries and consulting fees to key management personnel	553,000	490,981
Share-based compensation	112,149	172,019
Car allowance	9,600	9,600
	674,749	672,600

Transactions with Other Related Parties

The following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell⁽²⁾, Matt Walker⁽²⁾, Dave Guebert, Cosimo La Porta⁽¹⁾ and Jonathan Lansky⁽³⁾):

	2023	2022
	\$	\$
Share-based compensation	126,570	176,982
	126,570	176,982

¹ Cosimo La Porta was appointed director of the Company on April 12, 2018.
² Jamie Blundell and Matt Walker ceased to be directors on June 20, 2019.
³ Jonathan Lansky was appointed director of the Company on October 8, 2019.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade 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 September 30, 2023 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 year ended September 30, 2023, by approximately \$131,630 (2022 - \$190,690).

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 year ended September 30, 2023, averaged 3.56% (2022 – 0.45%). A 1% nominal change in interest rates would have affected the Company's results of operations for the year ended September 30, 2023 by approximately \$10,600 (2022 - \$55,700). 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 September 30, 2023, trade receivables from four customers accounted for 10%, 18%, 19% and 40%, respectively, of the Company's trade receivable balance for a total 87% in aggregate. At September 30, 2022, trade receivables from five customers accounted for 10%, 11%, 15%, 16% and 34%, respectively, of the Company's trade receivable balance for a total 86% in aggregate. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at September 30, 2023 (September 30, 2022 – nominal).

Concentration risk

During the year ended September 30, 2023, two customers accounted for 20% and 45% (2022 - two customers accounted for 37% and 48%), of the Company's revenues.

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

Management's Discussion and Analysis
For the years ended September 30, 2023 and 2022
Dated December 21, 2023



the Company has the appropriate liquidity to meet its operating and growth objectives. As at September 30, 2023, the Company had cash and cash equivalents of \$2,506,336 (September 30, 2022 – \$3,085,986) to settle its current liabilities of \$878,021 (September 30, 2022 – \$783,601).

EBITDA RECONCILIATION

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 September 30,			Years ended September 30,		
	2023	2022	Change	2023	2022	Change
Net loss	(969,729)	(1,091,099)	(11)%	(4,181,902)	(5,346,171)	(22)%
Add/(deduct):						
Foreign exchange	(6,171)	11,073	(156)%	(4,284)	119,774	(104)%
Other expense (income)	(35,863)	29,428	(222)%	(63,765)	(37,107)	72%
Amortization and depreciation	59,221	56,444	5%	257,635	188,376	37%
Share based compensation	66,733	100,995	(34)%	337,166	513,422	(34)%
Adjusted EBITDA	(885,809)	(893,159)	(1)%	(3,655,150)	(4,561,706)	(20)%

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found at SEDAR+ at www.sedarplus.ca or the Company's website at www.legendpower.com in 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, December 21, 2023