



Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS For the three months ended December 31 , 2025 and 2024

(Expressed in Canadian Dollars)

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of Legend Power Systems Inc. for the three months ended December 31, 2025, and 2024 have been prepared by and are the responsibility of the Company's management.

The auditor of Legend Power Systems Inc. has not performed a review of the unaudited condensed interim consolidated statements of loss and comprehensive loss for the three month period ended December 31, 2025 and 2024.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

		December 31, 2025	September 30, 2025 (Audited)
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		46,634	52,749
Trade and other receivables	5(i)	35,768	222,451
Due from customers on contract	5(ii)	10,211	45,769
Prepaid expenses and deposits		145,274	141,707
Inventory	6	1,263,767	1,238,751
Total current assets		1,501,654	1,701,427
Non-current assets			
Property and equipment	7	46,288	50,481
Right of use assets	8	208,627	250,352
Intangible assets	9	5,812	6,941
Total non-current assets		260,727	307,774
Total assets		1,762,381	2,009,201
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Account payable		1,121,457	904,756
Accrued liabilities		649,939	487,051
Deferred revenue		425,810	531,897
Lease liability	8	131,514	143,173
Warranty provision	10	28,768	26,077
Total current liabilities		2,357,488	2,092,954
Non-current liabilities			
Warranty provision	10	22,572	10,337
Lease liability	8	34,830	68,948
Total liabilities		2,414,890	2,172,239
Shareholders' deficit			
Share capital	11(i)	63,916,933	63,916,933
Contributed surplus		12,033,091	12,004,494
Accumulated other comprehensive loss		(20,834)	(24,790)
Deficit		(76,581,699)	(76,059,675)
Total shareholders' deficit		(652,509)	(163,038)
Total liabilities and shareholders' deficit		1,762,381	2,009,201
Going concern (Note 1)			
Segments (Note 4)			
Commitments and contingencies (Note 12)			
Subsequent event (Note 17)			

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON FEBRUARY 26, 2026

"Cos LaPorta", Director

"Randy Buchamer", Director

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

		For the three months ended December 31,	
		2025	2024
	Notes	\$	\$
Revenue		252,870	81,835
Cost of sales	6	141,554	69,889
Gross margin		111,316	11,946
Expenses			
Salaries and consulting		360,349	630,153
General and administrative		124,671	127,856
Selling costs		7,652	20,034
Share-based compensation	11(ii)	28,597	174,316
Professional fees		47,820	43,731
Warranty (recovery) expense	10	14,953	(3,473)
Product development		18,468	29,226
Foreign exchange (gain) loss		(4,784)	15,955
Amortization and depreciation	7,8,9	33,279	31,516
Bad debt recovery	5(i)	-	(28,028)
Total expenses		631,005	1,041,286
Operating loss		(519,689)	(1,029,340)
Interest expense on leases	8	(2,505)	(4,107)
Other income		170	566
Net loss for the period		(522,024)	(1,032,881)
Other comprehensive loss:			
Exchange difference arising on translation of foreign operations		3,956	(11,511)
Comprehensive loss for the period		(518,068)	(1,044,392)
Basic and diluted loss per share		(.00)	(.01)
Weighted average number of common shares outstanding, basic and diluted		141,911,587	132,693,150

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(Unaudited – Expressed in Canadian Dollars)

	Notes	Number of shares issued #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive loss \$	Total shareholders' equity (deficit) \$
Balance at September 30, 2024		131,744,417	62,006,475	11,728,605	(72,767,875)	(6,679)	960,526
Private placement, net	11(i)	4,233,167	757,369	-	-	-	757,369
Warrants exercised	11(i)	1,205,560	313,445	(12,055)	-	-	301,390
Share-based compensation	11(ii)	-	-	174,316	-	-	174,316
Net loss and comprehensive loss for the period		-	-	-	(1,032,881)	(11,511)	(1,044,392)
Balance at December 31, 2024		137,183,144	63,077,289	11,890,866	(73,800,756)	(18,190)	1,149,209
Balance at September 30, 2025		141,911,587	63,916,933	12,004,494	(76,059,675)	(24,790)	(163,038)
Share-based compensation	11(ii)	-	-	28,597	-	-	28,597
Net loss and comprehensive loss for the period		-	-	-	(522,024)	3,956	(518,068)
Balance at December 31, 2025		141,911,587	63,916,933	12,033,091	(76,581,699)	(20,834)	(652,509)

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Expressed in Canadian Dollars)

	Notes	For the three months ended December 31,	
		2025	2024
		\$	\$
Cash flows provided by (used in) operating activities			
Net loss for the period		(522,024)	(1,032,881)
Items not affecting cash:			
Amortization and depreciation	7,8,9	47,047	43,126
Share-based payment	11(ii)	28,597	174,316
Warranty (recovery) expense	10	14,953	(3,473)
Interest on lease liability	8	3,739	6,130
Provision for slow moving inventory	6	840	-
Bad debt recovery	5(i)	-	(28,028)
Changes in non-cash working capital items:			
Receivables, prepaids and deposits		182,840	196,831
Due from customers on contract		35,558	18,743
Inventory		(25,856)	(57,319)
Accounts payable and accrued liabilities		384,082	50,898
Deferred revenue		(106,086)	48,059
		<u>43,690</u>	<u>(583,598)</u>
Cash flows used in investing activities			
Purchase of property and equipment	7	-	(2,294)
		<u>-</u>	<u>(2,294)</u>
Cash flows provided by (used in) financing activities			
Proceeds from private placement, net	11(i)	-	757,369
Proceeds from warrants exercised	11(i)	-	301,390
Repayment of lease obligation	8	(49,516)	(46,743)
		<u>(49,516)</u>	<u>1,012,016</u>
Effects of foreign exchange translation in cash		(289)	(2,122)
Net change in cash and cash equivalents for the period		(5,826)	426,124
Cash and cash equivalents, beginning of the period		52,749	236,723
Cash and cash equivalents, end of the period		<u>46,634</u>	<u>660,725</u>

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

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

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

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

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

Going concern uncertainty

These condensed interim consolidated financial statements of the Company for the three months ended December 31, 2025, and 2024 (“financial statements”) have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at December 31, 2025, the Company has an accumulated deficit of \$76,581,699 (September 30, 2025 - \$76,059,675), and for the three months ended December 31, 2025, recorded a net loss of \$522,024 (December 31, 2024 – \$1,032,881) and cash flows provided by operations of \$43,690 (December 31, 2024 – negative cash flow of \$583,598). Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and obtain necessary financing to do so. The Company may need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so on terms favorable for the Company. The above events and conditions indicate there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of consolidation

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

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

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

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These should be read in conjunction with the Company’s last annual consolidated financial statements as at and for the year ended September 30, 2025 (“last annual financial statements”). The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the last annual financial statements. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company’s financial position and performance since the last annual financial statements.

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

Critical judgments and sources of estimation uncertainty

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

Critical judgments

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

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

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

Estimation uncertainty

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

- i) Provision for future warranty expense was forecasted by management based on recent historical experience and expectations of future warranty claim activity.
- ii) Provisions for impairment of inventory were made using the best estimate of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete the sale for finished goods and replacement cost for raw materials.
- iii) Expected credit losses are estimates based on observations of historical collection history. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance.
- iv) For those contracts that include both a system and its installation, the Company utilizes Management's best estimate of the relative fair value of revenue generated from the products delivered and the installation services provided. Installation revenue fair value is based on actual third-party contractor pricing by product size multiplied by either: i) the average gross margin achieved by the Company over the preceding two fiscal years or; ii) the implied gross margin specific to a multi system order. The relative fair value of the product is the difference between total sale price to customer and fair value estimate of installation revenue.
- v) The fair value of share-based compensation is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected term, expected dividend yield, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation.
- vi) In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2025.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

4. SEGMENTS

The Company operates in Canada and United States, and has one operating segment, which derives its revenue from the sale and installation of the SmartGATE™ products.

Information About Geographic Areas

Non-current assets of the Company are located in Canada, as follows:

	December 31, 2025	September 30, 2025
	\$	\$
Property and equipment	46,288	50,481
Right of use asset	208,627	250,352
Intangible asset	5,812	6,941

Revenue based on geographical segments as follows:

	Three months ended December 31,	
	2025	2024
	\$	\$
Revenue		
Canada	252,870	81,835
	252,870	81,835

5. RECEIVABLES

i) Trade and other receivables

Aging of trade receivables as follows:

Trade receivables	Total due	0-30 days	31-90 days	90+ days
	\$	\$	\$	\$
December 31, 2025	35,768	13,853	1,276	20,639
September 30, 2025	222,451	215,661	-	6,790

During the three months ended December 31, 2024, the Company recovered trade receivables previously provided for in the amount of \$28,028. Expected credit loss as at December 31, 2025 was nominal (September 30, 2025 - nominal).

ii) Due from customers on contract

At December 31, 2025, due from customers on contract amounted to \$10,211 and at September 30, 2025, was \$45,769. These amounts relate to equipment delivered and/or installation services performed for sales where revenue has been recognized and customers had not yet been invoiced.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

6. INVENTORY

Inventories consist of the following, as at December 31, 2025 and September 30, 2025:

	December 31, 2025	September 30, 2025
	\$	\$
Finished products ("SmartGATE")	113,725	115,267
Work in progress and finished sub-components	196,854	155,746
Transformers and components	953,188	913,399
Inventory in transit	-	54,339
	1,263,767	1,238,751

During the three months ended December 31, 2025, inventories were recognized as cost of sales in the amount of \$112,179 (December 31, 2024 - \$nil). Further, the Company recorded a provision for slow-moving and obsolescence of \$840 (December 31, 2024 - \$nil). Total provision recognized against inventory as at December 31, 2025, was \$310,493 (September 30, 2025 - \$309,653).

7. PROPERTY AND EQUIPMENT

	Computer equipment	Equipment and furniture	Leasehold improvements	Total
	\$	\$	\$	\$
Cost				
Balance, September 30, 2024	142,796	747,702	44,245	934,743
Additions	-	2,294	-	2,294
Balance, September 30, 2025	142,796	749,996	44,245	937,037
Balance, December 31, 2025	142,796	749,996	44,245	937,037
Accumulated depreciation				
Balance, September 30, 2024	140,163	679,331	42,996	862,490
Additions	1,377	21,610	1,079	24,066
Balance, September 30, 2025	141,540	700,941	44,075	886,556
Additions	243	3,780	170	4,193
Balance, December 31, 2025	141,783	704,721	44,245	890,749
Net book value				
At September 30, 2025	1,256	49,055	170	50,481
At December 31, 2025	1,013	45,275	-	46,288

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Office lease

The Company's estimated incremental borrowing rate of the lease was 8.29%, which has been used to determine the present value of the minimum lease payments.

On January 1, 2025, certain costs related to property tax and insurance premiums associated to the leased asset became known and unavoidable for the upcoming year. As a result, those payments became fixed in-substance at that time giving rise to a lease modification. An adjustment was made in the amount of \$58,868 to the right-of-use asset and lease liability.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

During the three months ended December 31, 2025, depreciation of \$13,768 (December 31, 2024 - \$11,610) and interest of \$1,234 (December 31, 2024 - \$2,023) was allocated to inventory and cost of sales.

Right of use Assets

	Office lease
	\$
Cost	
Balance, September 30, 2024	1,033,601
Effect of lease modification	58,868
Balance, September 30, 2025	1,092,469
Balance, December 31, 2025	1,092,469
Accumulated depreciation	
Balance, September 30, 2024	681,758
Additions	160,359
Balance, September 30, 2025	842,117
Additions	41,725
Balance, December 31, 2025	883,842
Net book value	
At September 30, 2025	250,352
At December 31, 2025	208,627

Lease Obligations

	Office lease
	\$
Balance, September 30, 2024	324,827
Effect of lease modification	58,868
Lease payments	(194,455)
Interest portion of payments	22,881
Balance, September 30, 2025	212,121
Lease payments	(49,516)
Interest portion of payments	3,739
Balance, December 31, 2025	166,344
Lease payable, current	131,514
Lease payable, non-current	34,830
Total lease payable	166,344

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

	Office lease
	\$
Less than 1 year	139,445
Between 2 and 3 years	35,070
Total	174,515

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

9. INTANGIBLE ASSETS

	Patents	Computer software	Total
	\$	\$	\$
Cost			
Balance, September 30, 2024	1,660,675	184,084	1,844,759
Balance, September 30, 2025	1,660,675	184,084	1,844,759
Balance, December 31, 2025	1,660,675	184,084	1,844,759
Accumulated depreciation			
Balance, September 30, 2024	1,649,219	184,084	1,833,303
Additions	4,515	-	4,515
Balance, September 30, 2025	1,653,734	184,084	1,837,818
Additions	1,129	-	1,129
Balance, December 31, 2025	1,654,863	184,084	1,838,947
Carrying amount			
At September 30, 2025	6,941	-	6,941
At December 31, 2025	5,812	-	5,812

10. WARRANTY PROVISION

	Total
	\$
Balance, September 30, 2024	53,408
Decrease in provision	(17,020)
Adjustment	26
Balance, September 30, 2025	36,414
Increase in provision	14,953
Adjustment	(27)
Balance, December 31, 2025	51,340
Warranty provision, current	28,768
Warranty provision, non-current	22,572
Total	51,340

The Company provides a variable length warranty on its equipment of between 1 and 10 years. The warranty provision will be used to fulfill warranty claims, should they arise, over the warranty period provided to customers. As at December 31, 2025, the average remaining years of equipment under warranty was 2.40 years (September 30, 2025 – 2.55 years).

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

i) Share Capital

The Company's authorized share capital is an unlimited number of common shares without par value. At December 31, 2025, the Company had 141,911,587 (September 30, 2025 – 141,911,587) shares issued and outstanding. All issued common shares are fully paid. Contributed surplus consists of the

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

During the year ended September 30, 2025, the Company closed a non-brokered private placement by issuing a total of 8,961,610 units, for gross proceeds of \$1,613,090. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.30 at any time up to 24 months following the closing date of the offering. The Company incurred share issuance cost of \$16,077.

During the year ended September 30, 2025, a total of 1,205,560 shares were issued upon the exercise of stock warrants for gross proceeds of \$301,390.

ii) Stock Options

The Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of share options to directors, officers, employees and consultants. The terms of each option award are fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest over various time periods from the grant date to five years at the discretion of the board of directors.

During the year ended September 30, 2025, the following stock options were granted:

- November 5, 2024 – 2,400,000 with an exercise price of \$0.22 and a 5-year term¹;
- November 5, 2024 – 2,800,000 with an exercise price of \$0.22 and a 5-year term²;and
- July 21, 2025 – 225,000 with an exercise price of \$0.12 and a 5-year term¹

The options granted during the year ended September 30, 2025:

¹ 1/6 vest on the 6-month anniversary of grant and each 6-month anniversary thereafter

² Vest on performance milestone being met

A summary of the Company's share options outstanding at December 31, 2025, including the changes during the period, is as follows:

	Share options	Weighted average exercise price
		\$
Balance, September 30, 2024	7,670,566	0.32
Granted	5,425,000	0.22
Expired	(970,565)	0.31
Forfeited	(1,476,665)	0.22
Balance, September 30, 2025	10,648,336	0.27
Expired	(1,535,000)	0.47
Forfeited	(400,000)	0.22
Balance, December 31, 2025	8,713,336	0.24

The weighted average remaining contractual life of stock options outstanding as of December 31, 2025, is 2.69 years (September 30, 2025 – 2.59 years).

During the three months ended December 31, 2025, the Company recorded share-based compensation of \$28,597 (December 31, 2024 - \$174,316).

The fair value of share options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option-pricing model with the following assumptions during the year ended September 30, 2025:

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

	September 30, 2025
Risk-free interest rate (average)	3.07%
Estimated volatility (average)	83%
Expected life (average)	3.87
Forfeiture rate (average)	20.72%
Dividend rate (average)	0.00%

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

which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

The following table summarizes share options outstanding and exercisable at December 31, 2025:

Options outstanding	Options exercisable	Exercise price	Calendar year of expiry
		\$	
520,000	520,000	0.39 - 0.75	2026
2,330,834	2,330,834	0.19 - 0.33	2027
2,212,502	1,495,845	0.18 - 0.33	2028
3,450,000	800,000	0.22	2029
200,000	-	0.12	2030
8,713,336	5,146,679		

The following table summarizes share options outstanding and exercisable at September 30, 2025:

Options outstanding	Options exercisable	Exercise price	Calendar year of expiry
		\$	
1,535,001	1,535,001	0.47	2025
520,000	520,000	0.39 - 0.75	2026
2,343,334	2,329,171	0.19 - 0.33	2027
2,250,001	1,479,177	0.18 - 0.33	2028
3,800,000	400,000	0.22	2029
200,000	-	0.12	2030
10,648,336	6,263,349		

iii) Warrants

The continuity of share purchase warrants is as follows:

	Warrants	Weighted average exercise price
		\$
Balance, September 30, 2024	14,067,113	0.25
Granted	8,961,610	0.30
Exercised	(1,205,560)	0.25
Balance, September 30, 2025	21,823,163	0.27
Balance, December 31, 2025	21,823,163	0.27

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The weighted average remaining contractual life of warrants outstanding as of December 31, 2025, is 0.77 years (September 30, 2025 – 1.02 years).

During the year ended September 30, 2025, the Company:

- a) Issued 8,961,610 unit warrants in connection with the non-brokered private placement which based on the residual method were fair valued at \$nil and recorded in contributed surplus
- b) Amended the expiry date of 12,861,553 warrants issued on July 31, 2025 and August 22, 2025, to July 31, 2026 and August 22, 2026, respectively.

12. COMMITMENTS AND CONTINGENCIES

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

13. RELATED PARTY DISCLOSURES

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

The Company entered into the following related party transactions during the three months ended December 31, 2025 and 2024:

- (i) Transactions with Key Management Personnel:

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

	December 31, 2025	December 31, 2024
	\$	\$
Salaries and consulting fees to key management personnel	89,063	127,208
Share-based compensation	18,527	14,037
Car allowance	1,800	2,400
	109,390	143,645

- (ii) Transactions with Directors:

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

	December 31, 2025	December 31, 2024
	\$	\$
Share-based compensation	7,075	41,274
	7,075	41,274

At December 31, 2025, a total of \$173,794 (September 30, 2025 - \$50,733) was due to related parties for salaries, and consulting fees.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

Risk management

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

Foreign currency risk

The Company is exposed to the U.S. dollar versus Canadian dollar exchange rate fluctuation risks through operations of its U.S. subsidiary and expenses incurred in U.S. dollars. As at December 31, 2025, all of the Company's liquid assets and liabilities were held in Canadian dollars and U.S. 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 U.S. 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 December 31, 2025, by approximately \$11,700 (December 31, 2024 - \$27,800).

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 three months ended December 31, 2025, averaged 2.40% (December 31, 2024 – 3.93%). A 1% nominal change in interest rates would have affected the Company's results of operations for the three months ended December 31, 2025, by approximately a nominal amount (December 31, 2024 - nominal). 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 December 31, 2025, trade receivables from two customers accounted for 95% of the Company's trade receivable balance. At September 30, 2025, trade receivables from one customer accounted for 90% of the Company's trade receivable balance. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at December 31, 2025 (September 30, 2025 – nominal).

Concentration risk

During the three months ended December 31, 2025, two customers accounted for 98% (2024 – two customers accounted for 98%) 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 December 31, 2025, the Company had cash and cash equivalents

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of \$46,634 (September 30, 2025 – \$52,749) to settle its current liabilities of \$2,357,488 (September 30, 2025 – \$2,092,954).

15. LOSS PER SHARE

	Three months ended	
	December 31,	
	2025	2024
	\$	\$
Basic	(.00)	(.01)
Diluted	(.00)	(.01)

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

16. CAPITAL MANAGEMENT

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

17. SUBSEQUENT EVENT

In January 2026, the Company closed a non-brokered private placement by issuing a total of 13,748,167 units, for gross proceeds of \$1,649,780. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.12 at any time up to 24 months following the closing date of the offering.