Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended December 31, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars)

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, 2024 and 2023 have been prepared by and are the responsibility of the Company's management.

The auditor of Legend Power Systems Inc. has not performed a review of the unaudited condensed interim consolidated statements of loss and comprehensive loss for the three-month period ended December 31, 2024 and 2023.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

	Notes	December 31, 2024 $	September 30, 2024 (Audited) $
ASSETS			
Current assets			
Cash and cash equivalents		660,725	236,722
Trade and other receivables	5(i)	96,636	294,881
Due from customers on contract	5(ii)	10,211	28,954
Prepaid expenses and deposits		155,045	124,568
Inventory	6	1,738,797	1,681,478
Total current assets		2,661,414	2,366,603
Non-current assets			
Property and equipment	7	67,734	72,253
Right of use assets	8	316,659	351,843
Intangible assets	9	10,327	11,456
Total non-current assets		394,720	435,552
Total assets		**3,056,134**	**2,802,155**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Account payable		676,027	676,741
Accrued liabilities		483,051	422,046
Deferred revenue		413,556	364,607
Lease liability	8	117,869	127,883
Warranty provision	10	32,001	32,664
Total current liabilities		1,722,504	1,623,941
Non-current liabilities			
Warranty provision	10	18,076	20,744
Lease liability	8	166,345	196,944
Total liabilities		1,906,925	1,841,629
Shareholders' equity			
Share capital	11(i)	63,077,289	62,006,475
Contributed surplus		11,890,866	11,728,605
Accumulated other comprehensive income (loss)		(18,190)	(6,679)
Deficit		(73,800,756)	(72,767,875)
Total shareholders' equity		1,149,209	960,526
Total liabilities and shareholders' equity		**3,056,134**	**2,802,155**

Going concern (Note 1)
Segments (Note 4)
Commitments and contingencies (Note 13)
Subsequent Event (Note 17)

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON FEBRUARY 20, 2025

"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,	
		2024	**2023**
	Notes	**$**	**$**
Revenue		81,835	1,548
Cost of sales	6	69,889	22,664
Gross margin		11,946	(21,116)
Expenses			
Salaries and consulting		630,153	687,910
General and administrative		127,856	121,963
Selling costs		20,034	17,395
Share-based compensation	11(ii)	174,316	84,184
Professional fees		43,731	56,309
Warranty recovery (expense)	10	(3,473)	15,919
Product development		29,226	44,734
Foreign exchange loss		15,955	3,547
Amortization and depreciation	7,8,9	31,516	36,853
Bad debt (recovery)	5(i)	(28,028)	774
Total expenses		1,041,286	1,069,588
Operating loss		(1,029,340)	(1,090,704)
Interest expense on leases	8	(4,107)	(5,553)
Other income		566	14,767
Net loss for the period		(1,032,881)	(1,081,490)
Other comprehensive loss:			
Exchange difference arising on translation of foreign operations		(11,511)	(2,663)
Comprehensive loss for the period		(1,044,392)	(1,084,153)
Basic and diluted loss per share		(.01)	(.01)
Weighted average number of common shares outstanding, basic and diluted		132,693,150	131,694,417

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

Legend Power Systems Inc.

CONSENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited – Expressed in Canadian Dollars)

	Notes	Number of shares issued #	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive loss $	Total shareholders' equity $
Balance at September 30, 2023		**131,694,417**	**61,993,475**	**11,472,126**	**(69,464,366)**	**(6,664)**	**3,994,571**
Share-based compensation	11(ii)	-	-	84,184	-	-	84,184
Net loss and comprehensive loss for the period		-	-	-	(1,081,490)	(2,663)	(1,084,153)
Balance at December 31, 2023		**131,694,417**	**61,993,475**	**11,556,310**	**(70,545,856)**	**(9,327)**	**2,994,602**
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**

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Expressed in Canadian Dollars)

		For the three months ended December 31,	
		2024	2023
	Notes	$	$
Cash flows used in operating activities			
Net loss for the period		(1,032,881)	(1,081,490)
Items not affecting cash:			
Share-based payment	11(ii)	174,316	84,184
Amortization and depreciation	7,8,9	43,126	44,914
Warranty (recovery) expense	10	(3,473)	15,918
Interest on lease liability	8	6,130	7,681
Bad debt (recovery) expense	5(i)	(28,028)	774
Changes in non-cash working capital items:			
Receivables, prepaids and deposits		196,831	49,051
Due from customers on contract		18,743	-
Inventory		(57,319)	(159,885)
Accounts payable and accrued liabilities		50,898	(28,515)
Deferred revenue		48,059	35,215
Warranty liability		-	(12,800)
		(583,598)	(1,044,953)
Cash flows used in investing activities			
Purchase of property and equipment	9	(2,294)	-
		(2,294)	-
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	(46,743)	(44,702)
		1,012,016	(44,702)
Effects of foreign exchange translation in cash		(2,122)	(4,237)
Net change in cash and cash equivalents for the period		426,124	(1,089,655)
Cash and cash equivalents, beginning of the period		236,723	2,506,335
Cash and cash equivalents, end of the period		**660,725**	**1,412,443**

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

(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.

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

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

Going concern uncertainty

These condensed interim consolidated financial statements of the Company for the three months ended December 31, 2024 and 2023 ("financial statements") have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at December 31, 2024, the Company has an accumulated deficit of $73,800,756 (September 30, 2024 - $72,767,875), and for the three months ended December 31, 2024, recorded a net loss of $1,032,881 (December 31, 2023 - $1,081,490) and negative cash flows from operations of $583,598 (December 31, 2023 - $1,044,953). 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.

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

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

Critical judgments and sources of estimation uncertainty

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

Critical judgments

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

i) The Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements. The Company's objectives are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

ii) The determination of an entity's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual entity within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each entity.

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 and warrants are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected term, expected dividend yield, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and warrants.

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

(Unaudited - Expressed in Canadian Dollars)

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, 2024.

4. SEGMENTS

The Company has assessed two operating segments based on geographical location of sales: Legend Power Systems Canada ("Legend Canada") and Legend Power Systems Corp. - U.S. ("Legend U.S.). During the three months ended December 31, 2023, 100% of the Company's revenues were attributable to Legend Canada (December 31, 2022 – 100%) and 0% of revenues were attributable to Legend U.S. (December 31, 2022 – 0%). Each reportable segment derives its revenue from the sale and installation of the SmartGATE™ products. Transfer prices between operating segments are calculated on a non- arm's length basis.

	As at December 31, 2024				As at September 30, 2024			
	Legend Canada	Legend U.S.	Other Subs	Total	Legend Canada	Legend U.S.	Other Subs	Total
	$	$	$	$	$	$	$	$
Assets	3,018,821	37,313	-	3,056,134	2,769,562	29,887	2,706	2,802,155
Liabilities	1,709,046	197,879	-	1,906,925	1,706,635	134,994	-	1,841,629

	Three months ended December 31, 2024				Three months ended December 31, 2023			
	Legend Canada	Legend U.S.	Other Subs	Total	Legend Canada	Legend U.S.	Other Subs	Total
	$	$	$	$	$	$	$	$
Revenue	81,835	-	-	81,835	1,548	-	-	1,548
Cost of sales	(69,167)	(722)	-	(69,889)	(22,664)	-	-	(22,664)
Op costs	(761,157)	(277,423)	(2,706)	(1,041,286)	(793,400)	(273,484)	(2,704)	(1,069,588)
Other income (loss)	(3,541)	-	-	(3,541)	9,214	-	-	9,214
Net loss	(752,030)	(278,145)	(2,706)	(1,032,881)	(805,302)	(273,484)	(2,704)	(1,081,490)

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, 2024	96,636	542	40,092	56,002
September 30, 2024	294,881	285,964	1,695	7,222

During the three months ended December 31, 2024, the Company recovered trade receivables in the amount of $28,028 (December 31, 2023 - $774) to bad debt and the expected credit loss was nominal (September 30, 2024 – nominal).

ii) Due from customers on contract

(Unaudited - Expressed in Canadian Dollars)

At December 31, 2024, due from customers on contract amounted to $10,211 and at September 30, 2024, was $28,954. These amounts relate to equipment delivered and/or installation services performed for sales where revenue has been recognized and customers had not yet been invoiced.

6. INVENTORY

Inventories consist of the following, as at December 31, 2024 and September 30, 2024:

	December 31, 2024	September 30, 2024
	$	$
Finished products ("SmartGATE")	292,510	128,769
Work in progress and finished sub-components	385,429	410,970
Transformers and components	1,060,858	1,009,011
Inventory in transit	-	132,728
	1,738,797	1,681,478

During the three months ended December 31, 2024, inventories were recognized as cost of sales in the amount of $nil (December 31, 2023 - $4,407). Further, the Company recorded a provision for slow-moving and obsolescence of $nil (December 31, 2023 - $nil). Total provision recognized against inventory as at December 31, 2024 was $228,359 (September 30, 2024 - $228,359).

7. PROPERTY AND EQUIPMENT

	Computer equipment	Equipment and furniture	Leasehold improvements	Total
	$	$	$	$
Cost				
Balance, September 30, 2023	139,884	747,702	44,245	931,831
Additions	2,912	-	-	2,912
Balance, September 30, 2024	142,796	747,702	44,245	934,743
Additions	-	2,294	-	2,294
Balance, December 31, 2024	142,796	749,996	44,245	937,037
Accumulated depreciation				
Balance, September 30, 2023	137,495	642,639	39,711	819,845
Additions	2,668	36,692	3,285	42,645
Balance, September 30, 2024	140,163	679,331	42,996	862,490
Additions	445	6,098	270	6,813
Balance, December 31, 2024	140,608	685,429	43,266	869,303
Net book value				
At September 30, 2024	**2,633**	**68,371**	**1,249**	**72,253**
At December 31, 2024	**2,188**	**64,567**	**979**	**67,734**

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Office lease

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

Right of use Assets

	Office lease	Equipment lease	Total
	$	$	$
Cost			
Balance, September 30, 2023	982,196	7,844	990,040
Effect of lease modification	51,405	-	51,405
Lease termination	-	(7,844)	(7,844)
Balance, September 30, 2024	1,033,601	-	1,033,601
Effect of lease modification	-	-	-
Lease termination	-	-	-
Balance, December 31, 2024	1,033,601	-	1,033,601
Accumulated depreciation			
Balance, September 30, 2023	544,975	6,723	551,698
Additions	136,783	461	137,244
Lease termination	-	(7,184)	(7,184)
Balance, September 30, 2024	681,758	-	681,758
Additions	35,184		35,184
Lease termination	-		-
Balance, December 31, 2024	716,942	-	716,942
Net book value			
At September 30, 2024	**351,843**	**-**	**351,843**
At December 31, 2024	**316,659**	**-**	**316,659**

(Unaudited - Expressed in Canadian Dollars)

Lease Obligations

	Office lease	Equipment lease	Total
	$	$	$
Balance, September 30, 2023	424,613	1,377	425,990
Effect of lease modification	51,405	-	51,405
Lease payments	(182,731)	(583)	(183,314)
Interest portion of payments	31,540	33	31,573
Lease termination	-	(827)	(827)
Balance, September 30, 2024	324,827	-	324,827
Lease payments	(46,743)	-	(46,743)
Interest portion of payments	6,130	-	6,130
Balance, December 31, 2024	284,214	-	284,214

Lease payable, current	117,869	-	117,869
Lease payable, non-current	166,345	-	166,345
Total lease payable	284,214	-	284,214

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

	Office lease	Equipment lease	Total
	$	$	$
Less than 1 year	136,105	-	136,105
Between 2 and 3 years	174,515	-	174,515
Total	310,620	-	310,620

9. INTANGIBLE ASSETS

	$	$	$
Cost			
Balance, September 30, 2023	1,655,750	184,084	1,839,834
Additions	4,925	-	4,925
Balance, September 30, 2024	1,660,675	184,084	1,844,759
Additions	-	-	-
Balance, December 31, 2024	1,660,675	184,084	1,844,759
Accumulated depreciation			
Balance, September 30, 2023	1,645,146	184,084	1,829,230
Additions	4,073	-	4,073
Balance, September 30, 2024	1,649,219	184,084	1,833,303
Additions	1,129	-	1,129
Balance, December 31, 2024	1,650,348	184,084	1,834,432
Carrying amount			
At September 30, 2024	**11,456**	**-**	**11,456**
At December 31, 2024	**10,327**	**-**	**10,327**

(Unaudited - Expressed in Canadian Dollars)

10. WARRANTY PROVISION

	Total
	$
Balance, September 30, 2023	96,429
Warranty fulfillment	(12,800)
Decrease in provision	(30,213)
Adjustment	(8)
Balance, September 30, 2024	53,408
Decrease in provision	(3,473)
Adjustment	142
Balance, December 31, 2024	50,077
Warranty provision, current	32,001
Warranty provision, non-current	18,076
Total	50,077

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, 2024, the average remaining years of equipment under warranty was 3.15 years (September 30, 2024 – 3.33 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, 2024, the Company had 137,183,144 (September 30, 2024 – 131,694,417) shares issued and outstanding. All issued common shares are fully paid. Contributed surplus consists of the accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

During the three months ended December 31, 2024, the Company closed the first tranche of a non-brokered private placement by issuing a total of 4,233,167 units, for gross proceeds of $761,970. 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 $4,601.

During the year ended September 30, 2024, the Company completed a non-brokered private placement by issuing a total of 14,117,113 units, for gross proceeds of $301,390. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.25 at any time up to 24 months following the closing date of the offering. The Company incurred a total of $12,055 share issuance costs. The warrant is subject to an accelerated expiry provision, whereby in the event the daily volume weighted average trading price of the Company's Shares on the TSX Venture Exchange, or such other stock exchange where the majority of the trading volume occurs, exceeds $0.40 for a period of 10 consecutive trading days, at the Company's election, the period within which the Warrants are exercisable, will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice. Any outstanding Warrants not exercised during the 30 day period will expire.

(Unaudited - Expressed in Canadian Dollars)

During the three months ended December 31, 2024, a total of 1,205,560 (September 30, 2024 – 50,000) were issued upon the exercise of stock warrants for gross proceeds of $301,390 (September 30, 2024 - $12,500).

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 three months ended December 31, 2024, the following stock options were granted:

- November 5, 2024 – 2,400,000 with an exercise price of $0.18 and a 5-year term[1]; and
- November 5, 2024 – 2,800,000 with an exercise price of $0.18 and a 5-year term[2]

During the year ended September 30, 2024, the following stock options were granted:

- October 3, 2023 – 100,000 with an exercise price of $0.18 and a 5-year term[1]; and
- November 1, 2023 – 275,000 with an exercise price of $0.18 and a 5-year term[1]

The options granted during the year ended September 30, 2024 and 2023 vest as to:

[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, 2024, including the changes during the period, is as follows:

	Share options	Weighted average exercise price
		$
Balance, September 30, 2023	9,344,081	0.32
Granted	375,000	0.18
Expired	(1,740,000)	0.35
Forfeited	(308,515)	0.31
Balance, September 30, 2024	7,670,566	0.31
Granted	5,200,000	0.18
Expired	(735,000)	0.30
Balance, December 31, 2024	12,135,566	0.26

The weighted average remaining contractual life of stock options outstanding as of December 31, 2024 is 3.43 years (September 30, 2024 – 2.37 years).

During the three months ended December 31, 2024, the Company recorded share-based compensation of $174,316 (December 31, 2023- $84,184).

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 three months ended December 31, 2024 and 2023:

	December 31, 2024	September 30, 2024
Risk-free interest rate (average)	3.07%	4.29%
Estimated volatility (average)	83%	94%
Expected life (average)	3.87	3.80

(Unaudited - Expressed in Canadian Dollars)

Forfeiture rate (average)	20.75%	21.52%
Dividend rate (average)	0.00%	0.00%

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

The following table summarizes share options outstanding and exercisable at December 31, 2024:

Options outstanding	Options exercisable	Exercise price	Year of expiry
		$	
1,770,566	1,770,566	0.3 - 0.47	2025
520,000	520,000	0.39 - 0.75	2026
2,345,000	1,938,345	0.19 - 0.33	2027
2,300,000	783,343	0.18 - 0.33	2028
5,200,000	-	0.18 - 0.18	2029
12,135,566	5,012,254		

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

Options outstanding	Options exercisable	Exercise price	Calendar year of expiry
		$	
735,000	735,000	0.18 - 0.75	2024
1,770,565	1,770,565	0.17 - 0.47	2025
520,000	503,334	0.39 - 0.75	2026
2,345,001	1,739,180	0.19 - 0.33	2027
2,300,000	725,006	0.18 - 0.33	2028
7,670,566	5,473,085		

iii) Warrants

The continuity of share purchase warrants is as follows:

	Warrants	Weighted average exercise price
		$
Balance, September 30, 2023	14,117,113	0.25
Exercised	(50,000)	0.25
Balance, September 30, 2024	14,067,113	0.25
Issued	4,233,167	0.30
Exercised	(1,205,560)	0.25
Balance, December 31, 2024	17,094,720	0.26

The weighted average remaining contractual life of warrants outstanding as of December 31, 2024 is 0.94 years (September 30, 2024 – 0.84 years).

During the three months ended December 31, 2024, the Company issued:

a) 4,233,167 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.

(Unaudited - Expressed in Canadian Dollars)

12. COMMITMENTS AND CONTINGENCIES

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

13. RELATED PARTY DISCLOSURES

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

The Company entered into the following related party transactions during the three months ended December 31, 2024 and 2023:

(i) Transactions with Key Management Personnel:

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

	2024	**2023**
	$	**$**
Salaries and consulting fees to key management personnel	138,250	138,250
Share-based compensation	90,902	23,923
Car allowance	2,400	2,400
	231,552	164,573

(ii) Transactions with Directors:

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

	2024	**2023**
	$	**$**
Share-based compensation	17,821	46,615
	17,821	46,615

At December 31, 2024, a total of $100,958 (September 30, 2024 - $nil) was due to related parties for salaries, consulting fees and expenses reimbursement.

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, 2024 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 three months ended December 31, 2024 by approximately $27,810 (December 31, 2023 - $27,350).

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 three months ended December 31, 2024 averaged 3.93% (December 31, 2023 – 5.32%). A 1% nominal change in interest rates would have affected the Company's results of operations for the three months ended December 31, 2024 by approximately $100 (December 31, 2023 - $4,500). 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, 2024, trade receivables from one customer accounted for 97% of the Company's trade receivable balance. At September 30, 2024, trade receivables from three customers accounted for 12%, 16% and 63%, respectively of the Company's trade receivables balance for a total 91% in aggregate. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at December 31, 2024 (September 30, 2024 – nominal).

Concentration risk
Two customers accounted for 43% and 55% of the Company's revenue for the three months ended December 31, 2024, compared with one customer accounted for 100% in the same period of 2023.

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, 2024 the Company had cash and cash equivalents of $660,725 (September 30, 2024 – $236,722) to settle its current liabilities of $1,722,504 (September 30, 2024 – $1,623,941).

16. LOSS PER SHARE

	Three months ended December 31,	
	2024	**2023**
	$	**$**
Basic	(.01)	(.01)
Diluted	(.01)	(.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)).

17. 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 2025, the Company closed the second tranche of a non-brokered private placement by issuing a total of 4,728,443 units, for gross proceeds of $851,120. 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.