

---

# Consolidated financial statements of LeddarTech Holdings Inc.

For the year ended September 30, 2024

---



---

Independent auditor's report .....	F-2
Consolidated statement of financial position .....	F-4
Consolidated statement of changes in shareholders' deficiency .....	F-5
Consolidated statement of loss and comprehensive loss .....	F-7
Consolidated statement of cash flows .....	F-9
Notes to the consolidated financial statements .....	F-10

---

# RICHTER

BUREAU FAMILIAL | D'AFFAIRES  
BUSINESS | FAMILY OFFICE

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
**LeddarTech Holdings Inc.**

### *Opinion on the financial statements*

We have audited the accompanying consolidated statements of financial position of LeddarTech Holdings Inc. (the "Company") as of September 30, 2024 and 2023, the related consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for each of the two years in the period ended September 30, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023 and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2024, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited the adjustments to the consolidated financial statements for the year ended September 30, 2022 to retrospectively apply the reporting of discontinued operations as described in Note 7 a). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended September 30, 2022 of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended September 30, 2022 taken as a whole.

### *Going concern uncertainty*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company does not have sufficient existing cash to support operations for at least the next year following the issuance of these financial statements which raises doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### *Basis for opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion

/s/ Richter LLP

We have served as the Company's auditors since 2023.

December 24, 2024  
Montreal, Québec

MONTRÉAL  
1981 McGill College  
Montréal QC H3A 0G6  
514.934.3400

TORONTO  
181 Bay St., #3510  
Bay Wellington Tower  
Toronto ON M5J 2T3  
416.488.2345

CHICAGO  
200 South Wacker Dr., #3100  
Chicago, IL 60606  
312.828.0800

RICHTER.CA

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
**LeddarTech Holdings Inc. (formerly LeddarTech Inc.)**

### Opinion on the Financial Statements

We have audited, before the effects of the adjustments to retrospectively apply the reporting of discontinued operations described in Note 7 a), the accompanying consolidated statement of loss and comprehensive loss and cash flows of LeddarTech Holdings Inc. (the “Company”) for the year ended September 30, 2022 (the 2022 consolidated financial statements before the effects of the adjustments discussed in Note 7 a) are not presented herein), including the related notes (collectively referred to as the “2022 consolidated financial statements”).

In our opinion, the 2022 consolidated financial statements, before the effects of the adjustments to retrospectively apply the reporting of discontinued operations described in Note 7 a), present fairly, in all material respects, the results of the Company’s financial performance and its cash flows for the year ended September 30, 2022, in conformity with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the reporting of discontinued operations described in Note 7 a) and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Richter LLP.

### Basis for Opinion

These 2022 consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 2022 consolidated financial statements, before the effects of the adjustments to retrospectively apply the reporting of discontinued operations described in Note 7 a), based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the auditing standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP  
Chartered Professional Accountants  
We served as the Company’s auditor from 2016 to 2023.

Montréal, Canada  
July 26, 2023

**LeddarTech Holdings Inc.**

**Consolidated statement of financial position**  
(in Canadian dollars)  
[going concern uncertainty – note 1]

**As at September 30**

	Notes	2024	2023
		<u>\$</u>	<u>\$</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash		5,269,084	5,056,040
Trade receivable and other receivables	8	1,489,402	3,689,475
Government assistance and R&D tax credit receivable		1,287,468	2,179,423
Inventories	9	467,344	1,246,946
Prepaid expenses		<u>1,545,267</u>	<u>1,325,991</u>
<b>Total current assets</b>		<b>10,058,565</b>	<b>13,497,875</b>
Property and equipment	10	1,336,604	2,071,457
Right-of-use assets	11	1,907,356	3,180,318
Intangible assets	12	5,569,683	45,838,108
Prepaid financing fees		55,014	264,523
Goodwill		—	7,318,126
<b>Total non-current assets</b>		<b>8,868,657</b>	<b>58,672,532</b>
<b>Total assets</b>		<b>18,927,222</b>	<b>72,170,407</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	13,887,269	13,570,905
Provisions	14	—	878,144
Conversion option	15	6,008	737,974
Warrant liability	16	629,506	—
Bridge loans	15	9,913,619	—
Current portion of lease liabilities	11	663,920	722,675
Current portion of government grant liabilities	17	<u>829,216</u>	<u>568,807</u>
<b>Total current liabilities</b>		<b>25,929,538</b>	<b>16,478,505</b>
Long-term debt	15	79,306,811	47,725,583
Redeemable stock options	19	—	6,102,496
Lease liabilities	11	1,536,440	3,058,558
Government grant liabilities	17	<u>789,127</u>	<u>899,489</u>
<b>Total non-current liabilities</b>		<b>81,632,378</b>	<b>57,786,126</b>
<b>Total liabilities</b>		<b>107,561,916</b>	<b>74,264,631</b>
<b>Shareholders' deficiency</b>			
Capital stock	18	546,149,389	452,246,204
Reserve – warrants	16	2,682,111	670,703
Reserve – stock options	19	5,747,571	31,659,392
Other component of equity		955,863	2,869,188
Deficit		<u>(644,169,628)</u>	<u>(480,333,695)</u>
Equity (deficiency) attributable to owners of the capital stock of the parent		<b>(88,634,694)</b>	<b>7,111,792</b>
Non-controlling interests		—	(9,206,016)
<b>Total shareholders' deficiency</b>		<b>(88,634,694)</b>	<b>(2,094,224)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>18,927,222</b>	<b>72,170,407</b>

*Commitments (Note 29); Subsequent events (Note 30)*

*See accompanying notes*

On behalf of the Board:

Director

Director

**LeddarTech Holdings Inc.**

**Consolidated statement of changes in shareholders' deficiency**  
(in Canadian dollars)  
[going concern uncertainty – note 1]

**For the year ended  
September 30,  
2024**

	Notes	Capital stock \$	Reserve – warrants \$	Reserve – stock options \$	Other component of equity \$	Deficit \$	Equity (deficiency) attributable to owners of the capital stock of the parent \$	Non- controlling interests \$	Total shareholders' deficiency \$
Balance as at September 30, 2023		<u>452,246,204</u>	<u>670,703</u>	<u>31,659,392</u>	<u>2,869,188</u>	<u>(480,333,695)</u>	<u>7,111,792</u>	<u>(9,206,016)</u>	<u>(2,094,224)</u>
Shares issuance	18	<u>523,211</u>	—	—	<u>(2,087)</u>	—	—	<u>521,124</u>	<u>521,124</u>
Shares issued upon exercise of PIPE warrants	15	<u>2,059,081</u>	—	—	—	—	<u>2,059,081</u>	—	<u>2,059,081</u>
Shares issued upon exercise of PIPE convertible options	15	<u>458,696</u>	—	—	<u>957,950</u>	—	<u>1,416,646</u>	—	<u>1,416,646</u>
Dividend in share Business	18	<u>22,960,000</u>	—	—	—	<u>(22,960,000)</u>	—	—	—
combination	4	<u>65,372,812</u>	—	<u>117,246</u>	—	—	<u>65,490,058</u>	—	<u>65,490,058</u>
Stock-based compensation	19	—	<u>2,011,408</u>	<u>6,008,105</u>	<u>506,774</u>	—	<u>8,526,287</u>	—	<u>8,526,287</u>
Financing fees – credit facilities modification	15	—	<u>1,643,714</u>	—	—	—	<u>1,643,714</u>	—	<u>1,643,714</u>
Warrants exercised	15	<u>1,646,214</u>	<u>(1,643,714)</u>	—	—	—	<u>2,500</u>	—	<u>2,500</u>
Options exercised	19	<u>825,447</u>	—	<u>(377,780)</u>	<u>(944,274)</u>	<u>492,426</u>	<u>(4,181)</u>	—	<u>(4,181)</u>
Closing of previous equity incentive plan	19	—	—	<u>(31,659,392)</u>	—	<u>31,659,392</u>	—	—	—
Net loss and comprehensive loss		—	—	—	—	<u>(165,893,387)</u>	<u>(165,893,387)</u>	<u>(302,312)</u>	<u>(166,195,699)</u>
Exercise of call option	18	<u>57,724</u>	—	—	<u>(2,431,688)</u>	<u>(7,134,364)</u>	<u>(9,508,328)</u>	<u>9,508,328</u>	—
<b>Balance as at September 30, 2024</b>		<u><b>546,149,389</b></u>	<u><b>2,682,111</b></u>	<u><b>5,747,571</b></u>	<u><b>955,863</b></u>	<u><b>(644,169,628)</b></u>	<u><b>(88,634,694)</b></u>	<u><b>—</b></u>	<u><b>(88,634,694)</b></u>

*See accompanying notes*

**LeddarTech Holdings Inc.**

**Consolidated statement of changes in shareholders' deficiency**  
(in Canadian dollars)  
[going concern uncertainty – note 1]

**For the year ended  
September 30, 2023**

	Notes	Capital stock \$	Reserv – warrants \$	Reserve – stock options \$	Other component of equity \$	Deficit \$	Equity attributable to owners of the capital stock of the parent \$	Non- controlling interests \$	Total shareholders' equity (deficiency) \$
Balance as at September 30, 2022		433,689,768	670,703	28,708,766	2,431,688	(432,341,598)	33,159,327	(5,901,084)	27,258,243
Shares issuance	18	18,556,436	—	—	—	—	18,556,436	—	18,556,436
Stock-based compensation	19	—	—	3,078,006	437,500	—	3,515,506	—	3,515,506
Vesting of Vayavision's shares	19	—	—	(127,380)	—	—	(127,380)	127,380	—
Net loss and comprehensive loss for the period		—	—	—	—	(47,992,097)	(47,992,097)	(3,432,312)	(51,424,409)
Balance as at September 30, 2023		452,246,204	670,703	31,659,392	2,869,188	(480,333,695)	7,111,792	(9,206,016)	(2,094,224)

*See accompanying notes*

**LeddarTech Holdings Inc.**

**Consolidated statements of loss and comprehensive loss**  
[going concern uncertainty – note 1]

For the years ended September 30,

	Notes	<b>2024</b>	2023	2022
		<u>\$</u>	<u>\$</u>	<u>\$</u>
			<i>(Recasted- Note 7)</i>	<i>(Recasted- Note 7)</i>
<b>Continuing operations</b>				
<b>Revenue</b>				
Products		—	—	52,144
Services		477,812	186,655	504,600
Other		—	10,901	77,106
		<u>477,812</u>	<u>197,556</u>	<u>633,850</u>
Cost of sales	10,11	—	—	79,625
<b>Gross profit</b>		<u>477,812</u>	<u>197,556</u>	<u>554,225</u>
<b>Operating expenses</b>				
Marketing and product management	10,11	4,012,238	4,097,931	3,280,864
Selling	11	2,795,060	3,126,324	3,976,733
General and administrative	10,11,12,26	17,927,408	18,990,598	15,548,293
Stock based compensation	19,26	1,715,512	2,436,974	4,272,673
Research and development costs (net of R&D tax credits of \$176,857 in 2024, \$225,609 in 2023 and \$70,191 in 2022)	9,10,11,23	7,448,080	11,253,670	21,191,064
Listing expense	4	59,139,572	—	—
Restructuring costs	5	46,387	1,734,244	—
Transactions costs	4	2,407,977	3,506,630	—
Impairment loss related to goodwill and intangible assets	6	69,315,247	—	38,207,503
		<u>164,807,481</u>	<u>45,146,371</u>	<u>86,477,130</u>
<b>Loss from operations</b>		<u>(164,329,669)</u>	<u>(44,948,815)</u>	<u>(85,922,905)</u>
<b>Other (income) costs</b>				
Grant revenue	23	(90,065)	(377,080)	(435,448)
Finance costs (income), net	24	3,063,252	(729,958)	(10,067,497)
<b>Loss before income taxes from continuing operations</b>		<u>(167,302,856)</u>	<u>(43,841,777)</u>	<u>(75,419,960)</u>
Income taxes	25	15,882	—	—
<b>Net loss and comprehensive loss from continuing operations</b>		<u>(167,318,738)</u>	<u>(43,841,777)</u>	<u>(75,419,960)</u>
<b>Discontinued operations</b>				
Net income (loss) and comprehensive income (loss) from discontinued operations	7	1,123,039	(7,582,632)	2,001,215
<b>Net loss and comprehensive loss</b>		<u>(166,195,699)</u>	<u>(51,424,409)</u>	<u>(73,418,745)</u>
<b>Attributable to:</b>				
Non-controlling interests		<u>(302,312)</u>	<u>(3,432,312)</u>	<u>(4,099,897)</u>
<b>Equity holders of the parent</b>		<u>(165,893,387)</u>	<u>(47,992,097)</u>	<u>(69,318,848)</u>

See accompanying notes

**LeddarTech Holdings Inc.****Consolidated statements of loss and comprehensive loss (continued)**  
[going concern uncertainty – note 1]

	Notes	<b>2024</b>	2023	2022
		<b>\$</b>	\$	\$
			<i>(Recasted- Note 7)</i>	<i>(Recasted- Note 7)</i>
<b>Earnings per share</b>				
Net loss per common share, basic and diluted	21	<b>(7.28)</b>	(286.33)	(513.80)
Weighted average common shares outstanding, basic and diluted	21	<b><u>22,774,782</u></b>	<u>167,610</u>	<u>134,913</u>
<b>Earnings per shares for continuing operations</b>				
Net loss from continued operations per common share, basic and diluted	21	<b>(7.33)</b>	(241.09)	(528.64)
Weighted average common shares outstanding, basic and diluted	21	<b><u>22,774,782</u></b>	<u>167,610</u>	<u>134,913</u>

*See accompanying notes*

**LeddarTech Holdings Inc.**

**Consolidated statements of cash flows**  
[going concern uncertainty – note 1]

**For the years ended September 30,**

	Notes	2024 \$	2023 \$	2022 \$
			<i>(Recasted-Note)</i>	<i>(Recasted-Note)</i>
<b>Operating activities</b>				
Net loss from continuing operations		<b>(167,318,738)</b>	(43,841,777)	(75,419,960)
Net income (loss) from discontinued operations	7	<b>1,123,039</b>	(7,582,632)	2,001,215
Net loss		<b>(166,195,699)</b>	(51,424,409)	(73,418,745)
Adjustments to reconcile net loss to net cash flows:				
Write-down of inventories	9	<b>1,078,324</b>	2,299,866	19,859
Write-down of intangibles assets	12	<b>3,720,042</b>	—	—
Loss (gain) on disposal of property and equipment	10	<b>(81,326)</b>	—	—
Depreciation of property and equipment	10	<b>783,081</b>	1,274,597	1,448,867
Depreciation of right-of-use assets	11	<b>515,558</b>	581,936	610,941
Amortization of intangible assets	12	<b>257,932</b>	286,494	257,064
Impairment loss related to goodwill and intangible assets	6	<b>65,542,621</b>	5,791,439	38,207,503
Finance costs, net		<b>1,929,100</b>	(986,824)	(7,376,716)
Listing expense	4	<b>59,139,572</b>	—	—
Transaction costs	4	<b>431,458</b>	437,500	—
Stock-based compensation	19	<b>1,715,512</b>	2,436,974	4,590,336
Redeemable stock options		—	—	(317,663)
Gain on lease liability cancellation	11	<b>(204,146)</b>	(78,607)	—
Loss on bridge loan	15	<b>1,201,380</b>	—	—
Loss on conversion option	15	<b>366,957</b>	—	—
Gain on government grant liability	17	<b>(86,305)</b>	—	—
Foreign exchange loss (gain)		<b>(14,934)</b>	308,854	(1,756,535)
		<b>(29,900,873)</b>	(39,072,180)	(37,735,089)
Net change in non-cash working capital items	22	<b>(10,989,247)</b>	2,421,056	(391,808)
<b>Net cash flows related to operating activities</b>		<b>(40,890,120)</b>	(36,651,124)	(38,126,897)
<b>Investing activities</b>				
Additions to property and equipment	10	<b>(504,320)</b>	(188,775)	(2,173,529)
Disposal of property and equipment	10	<b>81,326</b>	45,000	—
Additions to intangible assets	12	<b>(12,976,529)</b>	(12,356,950)	(10,853,759)
Grants received related to intangible assets and property and equipment	10,12	<b>13,713</b>	268,460	986,295
R&D tax credit received		<b>1,522,306</b>	836,171	—
Finance income received	24	<b>334,751</b>	223,594	40,251
<b>Net cash flows related to investing activities</b>		<b>(11,528,753)</b>	(11,172,500)	(12,000,742)
<b>Financing activities</b>				
Debt issuance	15	<b>29,463,494</b>	29,406,425	—
Cash acquired from a reverse asset acquisition	4	<b>19,750,572</b>	—	—
Other loan settlement/reimbursed	15	—	(134,189)	(768,850)
Interest paid on credit facility and other loan		<b>(3,477,751)</b>	(4,773,512)	(3,620,539)
Exercise of warrants	15	<b>337</b>	7,992	—
Debt issuance costs		<b>(233,737)</b>	(2,119,392)	—
Bridge loans issuance proceed	15	<b>8,234,464</b>	6,250,000	—
Bridge loans settlement	15	—	(6,250,000)	—
Issuance and modification costs of convertible loans	15	—	—	(124,717)
Exercise of stock options	19	<b>(4,181)</b>	—	9,221
Share issuance proceed	18	<b>10,849</b>	—	85,236,002
Share issuance cost	18	—	—	(6,094,621)
Government grant liability issuance	17	—	—	178,857
Repayment principal amount of lease liabilities	11	<b>(971,677)</b>	(687,150)	(316,472)
Interest paid on lease liability	11	<b>(300,424)</b>	(451,894)	(551,291)
<b>Net cash flows related to financing activities</b>		<b>52,471,946</b>	21,248,280	73,947,590
Effect of foreign exchange on cash		<b>159,971</b>	(394,515)	2,005,632
Net increase (decrease) in cash		<b>213,044</b>	(26,969,859)	25,825,583
Cash, beginning of year		<b>5,056,040</b>	32,025,899	6,200,316
<b>Cash, end of year</b>		<b>5,269,084</b>	5,056,040	32,025,899

See accompanying notes

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**1. Reporting entity, nature of operations and going concern uncertainty**

*Reporting entity*

On June 12, 2023, LeddarTech Holdings Inc., a company incorporated under the laws of Canada entered into the Business Combination Agreement, as amended on September 25, 2023 (the “BCA”), by and among LeddarTech Holdings Inc., Prospector Capital Corp., a Cayman Islands exempted company (“Prospector”), and LeddarTech Inc., a corporation existing under the laws of Canada.

Unless otherwise indicated and unless the context otherwise requires, “LeddarTech” or “the Company”, at all times prior to consummation of the Business Combination, refers to LeddarTech Inc. and its consolidated subsidiaries, and at all times following consummation of the Business Combination, refers to LeddarTech Holdings Inc. and its consolidated subsidiaries.

Refer to Note 4, Acquisition of Prospector Capital Corp., for additional information on the amalgamation of the Company on December 21, 2023.

These consolidated financial statements are comprised of the accounts of LeddarTech and its wholly owned subsidiaries and the prior period amounts are those of LeddarTech, which continued as the operating entity under the same name following the amalgamation.

The Company’s subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest held by the Company	
		September 30, 2024	September 30, 2023
LeddarTech USA Inc	U.S.	100%	100%
LeddarTech (Shenzhen) Sensing Technology Co., Ltd	China	100%	100%
Vayavision Sensing, Ltd. (“Vayavision”) (1)	Israel	100%	60%
LeddarTech Germany GmbH	Germany	100%	100%

(1) As of November 1, 2023, the Company exercised its call option to acquire its remaining participation in Vayavision (Note 18).

The Company’s head office is located at 240-4535, boul. Wilfrid-Hamel, Québec City, Québec, G1P 2J7, Canada.

*Nature of operations*

The Company deliver high-performance AI automotive software that enables the market to deploy ADAS features. The Company operates under one operating segment.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**1. Reporting entity, nature of operations and going concern uncertainty (continued)**

*Going concern uncertainty*

These consolidated financial statements were prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In its assessment to determine if the going concern assumption is appropriate, management considers all data available regarding the future for at least, without limiting to, the next twelve months from the date of the consolidated financial statements.

The Company has an accumulated deficit of \$644,169,628 as at September 30, 2024, and, for the year ended September 30, 2024, incurred a net loss of \$166,195,699 and net cash outflows related to operating and investing activities amounting to \$40,890,120 and \$11,528,753 respectively. As at September 30, 2024, the Company had a cash balance of \$5,269,084 and an outstanding credit facility of \$30,000,000 with a maturity date of January 31, 2026.

Based on cash flow projections, the Company does not expect to have sufficient cash resources in the coming twelve months from the date of these consolidated financial statements, to develop its technology, to fund its operations and to comply with its credit facility covenants as renewed.

The ability of the Company to fulfill its obligations and finance its future activities depends on its ability to raise capital and the continuous support of its creditors. The Company has historically been successful in raising capital through issuances of equity and debt and refinancing its credit facilities (refer to Notes 15 and 18). Consequently, the Company believes its effort to raise sufficient funds to support its activities will be successful. However, there can be no certainty as to the ability of the Company to achieve successful outcomes to these matters. This indicates the existence of a material uncertainty that raises substantial doubt about the ability of the Company to continue as a going concern.

The accompanying consolidated financial statements do not purport to give effect to adjustments, if any, to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities in other than normal course of business.

These consolidated financial statements were approved for issuance by the Board of Directors of the Company on December 17th, 2024.

## **2. Summary of accounting policies**

### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

### *Basis of presentation*

The consolidated financial statements are prepared on a historical cost basis, except for some financial instruments and Stock-based payment transactions, which are measured at fair value.

### *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and those of its subsidiaries (refer to note 1).

The Company consolidates investees when, based on the evaluation of the substance of the relationship with the Company, it concludes that it controls the investees. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee, has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), and has the ability to affect those returns through its power over the investee.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company’s accounting policies. All intercompany balances and transactions are eliminated upon consolidation.

When a subsidiary is not wholly owned, the Company recognizes the non-controlling interests’ (“NCI”) share of the net assets and results of operations in the subsidiary. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### *Segments*

The Company operates as one operating and reportable segment. The Company’s Chief Operating Decision Maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources. Revenue by location is disclosed in Note 7.

### *Foreign currency translation*

#### a) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency. The Company determines the functional currency of each foreign operation and items included in the financial statements of each foreign operation are measured using that functional currency. The Canadian dollar is the functional currency of all foreign operations.

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are reflected in the consolidated statement of loss.

## **2. Summary of accounting policies (continued)**

### *Financial instruments*

#### a) Recognition and derecognition

Financial instruments are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value, and in the case of financial liabilities not at fair value through profit or loss ("FVTPL"), net of transaction costs that are directly attributable to the issue of such financial liabilities.

Financial assets are subsequently derecognized when payment is received in cash or other financial assets or if the debtor is discharged of its liability. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When the terms of the liability are substantially modified, such modification is treated as a debt extinguishment and results in the derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amounts is recognized in the consolidated statement of loss. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

#### b) Classification

Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified. Financial instruments are classified and measured at amortized cost, or classified at FVTPL or designated at FVTPL, in which case they are subsequently measured at fair value.

The classification of financial assets and liabilities is driven by the Company's business model for managing the assets or liabilities and their contractual cash flow characteristics. Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial liabilities are measured at amortized cost, unless the Company has opted to measure them at FVTPL.

The Company classifies cash and trade receivable, and other receivables (excluding commodity taxes receivable) as financial assets measured at amortized cost and accounts payable and accrued liabilities (excluding deferred revenue), term loan, credit facility (after modification as disclosed in note 24 (3)), convertible loan, non-convertible bridge loan, convertible bridge loan, other loan and the government grant liabilities as financial liabilities measured at amortized cost.

The Company has designated its credit facility (until modification) and its convertible loans, which contain embedded derivatives, as financial liabilities at FVTPL except that fair value changes due to credit risk are recorded in other comprehensive income (loss). The Company has elected to not disaggregate the interest accrued on the convertible loans from the change in fair value that is presented in the consolidated statement of loss as an unrealized loss (gain) on the revaluation of the convertible loans included in finance costs, net (Note 24).

#### c) Hybrid financial instruments and derivatives

Hybrid financial instruments issued by the Company comprise PIPE Convertible loan and Convertible Bridge Loan that can be converted into a variable number of shares. A hybrid instrument contains both an embedded derivative and a host contract. If the embedded derivative is not closely related to the host it must be separated from the host contract and recorded at fair value, with any changes in fair value recognized in profit or loss.

**2. Summary of accounting policies (continued)**

*Financial instruments (continued)*

The entire hybrid instrument may also be designated as FVTPL on initial recognition and measured at fair value through profit or loss.

Warrants and conversion options disclosed in Note 16 meet the definition of a derivative. Warrants and conversion options accounted for separately from the underlying convertible notes that are liability classified are initially and subsequently measured at fair value, and changes therein are accounted for through profit or loss.

The Company elected to designate the Convertible Bridge Loan at fair value.

d) Impairment of financial instruments

The expected credit losses associated with debt instruments carried at amortized cost is assessed on a forward-looking basis. For trade accounts receivable, the Company applies a simplified approach in calculating expected credit losses and does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

*Contingent consideration*

Contingent consideration payable, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration payable meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The contingent consideration payable resulting from a business combination is classified as a non-derivative financial liability when the Company is or may be obliged to deliver a variable number of the Company's common shares. As such, it is subsequently remeasured to fair value at each reporting date and the change in fair value (including the change to the Company's own credit risk) is presented in the consolidated statement of loss and comprehensive loss as an unrealized loss (gain) on revaluation of instruments carried at fair value included in finance costs, net (Note 24).

*Inventories*

Raw materials and finished goods are recorded at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods includes the cost of direct materials and labour, and a proportion of manufacturing overhead costs based on normal operating capacity. The net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. If a decline in the price of raw materials indicates that the cost of the finished goods exceeds net realizable value, the raw materials are written down to the replacement cost of the materials, which is the best available measure of the net realizable value. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the previously recorded write-down is reversed, without exceeding original cost.

**2. Summary of accounting policies (continued)**

*Property and equipment*

Property and equipment are initially recorded at cost and subsequently measured at cost, less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the assets' estimated useful lives as follows:

Computer equipment	3 years
Office furniture and equipment	5 years
R&D equipment and tools	5 years
Stands and moulds	4 and 10 years
Leasehold improvements	Term of lease
Vehicles	5 years

Estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The depreciation of property and equipment is recognized in the consolidated statement of loss in the expense category that is consistent with the function of the property and equipment or capitalized as development costs.

*Leases*

The Company assesses at contract inception whether a contract is, or contains, a lease; that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and any initial direct costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term, including renewal options the Company is reasonably certain to exercise, and the estimated useful lives of the assets as follows:

Office premises	3 to 15 years
Other equipment	3 to 5 years

The depreciation of right-of-use assets is recognized in the consolidated statement of loss in the expense category that is consistent with the function of the right-of-use asset or capitalized as development costs.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, which includes the net present value of fixed payments and the value of any options to extend a lease where the Company is reasonably certain to do so. In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

**2. Summary of accounting policies (continued)**

*Leases (continued)*

Lease payments on short-term leases with lease terms of less than 12 months or low-value leases are accounted for as expenses on a straight-line basis in the consolidated statement of loss. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

*Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. Acquisition-related costs are expensed as incurred.

The Company determines that it has acquired a business when the acquired set of activities and assets include at least an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests (“NCI”) over the fair value of net identifiable assets acquired and liabilities assumed). Subsequently, goodwill is measured at cost less any accumulated impairment losses.

*Intangible assets*

Intangible assets consist of patents, licenses, software, others and development costs with finite useful lives. Intangible assets are initially recorded at cost and subsequently measured at cost, less accumulated amortization and impairment. In regard to patents, costs are capitalized during the application period and are being amortized from the grant date over the residual life of the patent, which does not exceed 20 years from the application date.

**2. Summary of accounting policies (continued)**

*Intangible assets (continued)*

Amortization is calculated using the straight-line method over the assets' estimated useful lives as follows:

Patents	Life of the patent
Licenses	10 and 18 years
Software	3 years
Others	10 years
Development costs	Period of expected future sales from the related project <sup>(1)</sup>

1 Amortization of the asset begins when development is completed, and the asset is available for use.

Estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of loss in the expense category that is consistent with the function of the intangible assets or capitalized as development costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Developments costs related to the Company's projects to develop and enhance the technology and capabilities of autonomous driving applications and advanced driver assistance systems ("ADAS") are considered to be qualified assets eligible for borrowing costs capitalization. Borrowing costs consist of interest expense calculated using the effective interest method (this includes the effective interest on term loans and other debts including an implicit interest on convertible loans and credit facilities at FVTPL), interest on lease liabilities and other issuance costs that are incurred in connection with the borrowing of funds. Borrowing costs do not include gain or loss on revaluation of instruments carried at fair value. When the Company borrows funds specifically to obtain a particular qualifying asset, the borrowing costs that are directly related to that qualifying asset during the period are capitalized. When the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. Expenditure on qualifying assets includes only the expenditure resulting in the payment of cash, the transfer of other assets or the assumption of interest-bearing liabilities. The capitalization rate is the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period.

However, the Company excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs capitalized during a year shall not exceed the amount of borrowing costs incurred during that year.

## **2. Summary of accounting policies (continued)**

### *Research and development costs*

Research costs are expensed as incurred. Development costs on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete the asset and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the project; and
- The ability to measure the expenditure reliably during development.

### *Impairment of non-financial assets*

For the purposes of assessing impairment, assets are grouped in cash-generating units (“CGUs”), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. Property and equipment, intangible assets, goodwill and right-of-use assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, development costs that are not yet available for use and goodwill are tested for impairment annually, regardless of the presence of indicators of impairment. In the case of indicators of impairment, or when a required annual test is performed, the asset’s recoverable amount is calculated to establish the amount of impairment loss, if any. If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount of the asset’s CGU is then determined. The recoverable amount is the higher of an asset or CGU’s fair value less cost of disposal and value in use. Fair value less costs of disposal represent the amount an entity could obtain at the valuation date from the asset’s disposal in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Value in use is the present value of estimated future cash flows discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimated future cash flows were not adjusted. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired.

An impairment loss is recognized in the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU’s carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU. In allocating an impairment loss, the Company shall not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

The Company evaluates impairment losses for potential reversals when events or circumstances require such considerations, except for goodwill.

**2. Summary of accounting policies (continued)**

*Government grants and Research and development (“R&D”) tax credits*

Government grants and Research and development (“R&D”) tax credits are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied and will continue to comply with all the conditions related to such assistance. The Company recognizes the grants as other income or as a reduction of capital expenditures in the period that the related expenses or expenditures are incurred.

*Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) 1) as a result of a past event; 2) when it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and 3) when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is accounted for in the consolidated statements of loss.

If the known expected settlement date exceeds twelve months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. Provisions are reviewed periodically and adjusted as appropriate.

The provisions are related to onerous contracts. These represent firm customer purchase orders in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs are the cost of fulfilling the contracts.

*Government grant liabilities*

Government grants that include a reimbursement clause based on the Company sales of a specific program are accounted for as a financial liability. At initial recognition, the government grant is estimated at the present value of all future cash disbursements. After the initial recognition, the government grant is measured at amortized cost using the effective interest method. Assumptions underlying expected sales are reviewed annually and are used to derive expected repayment schedules. When the expected repayment schedule changes, the Company recalculates the carrying value of the government grant liability using the original effective interest rate, with the corresponding gain or loss accounted for in financial expenses.

## **2. Summary of accounting policies (continued)**

### *Capital stock*

The Company classifies a financial instrument, or its component part, as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. In order to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if: a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company and b) if the instrument will or may be settled in the Company's own equity instruments, it is i) a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments, or ii) a derivative that will be settled only by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Company determined that its preferred shares containing conversion features as a whole are a non-derivative instrument.

### *Stock-based compensation*

For equity-settled Stock-based payment transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. For transaction with parties other than employees, there is a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. Any transactions costs incurred are expensed in the consolidated statements of loss.

The Company also offers equity-settled and cash-settled Stock-based compensation plans to its employees and directors, under which the Company receives services as consideration for equity instruments of the Company. The Company accounts for all forms of stock-based compensation using the fair value-based method.

#### a) Equity-settled compensation

The fair value of stock options is determined at the date of the grant using the Black-Scholes option pricing model. Where granted stock options vest in instalments over the vesting period (defined as graded vesting), the Company treats each instalment as a separate stock option grant.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense in the consolidated statement of loss for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is credited to "Reserve – stock options." No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Any consideration received by the Company in connection with the exercise of stock options is credited to "Capital stock." Upon issuance of the shares, amounts recognized in "Reserve – stock options" are transferred to "Capital stock."

**2. Summary of accounting policies (continued)**

*Stock-based compensation (continued)*

b) Cash-settled compensation

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statement of loss to the extent the employees have rendered service to date.

*Defined contribution pension plans*

The Company offers a defined contribution pension plan to its Canadian employees. The Company pays an annual contribution amounting to 3% of employee eligible salary on a civil year basis and has no legal or constructive obligation to pay further amounts. As a result, no related liability appears on the consolidated statement of financial position, except for the expense recognized for contributions due but not yet paid at the end of the reporting period. Contributions paid and payable to the defined contribution plan are expensed as incurred. The Company's contribution related to the defined contribution plan for the year ended September 30, 2024, amounted to \$212,630 (\$283,545 in 2023, \$400,658 in 2022), a portion of which was capitalized as intangible assets.

Additionally, the Company offers a defined contribution pension plan to employees of its Israeli subsidiary, which complies with the local laws in that country. The Company pays an annual contribution amounting to 8.33% of the employee eligible salary towards the severance pay component. The Company pays an annual contribution amounting to 6.5% of the employee eligible salary towards the pension component. The Company's contribution related to the Israeli subsidiary defined contribution plan for the year ended September 30, 2024, amounted to \$1,007,696 (\$1,057,881 in 2023, \$1,101,890 in 2022), a portion of which was capitalized as intangible assets.

*Revenue recognition*

Revenue from contracts with customers is recognized for each performance obligation, either over a period of time or at a point of time, depending on which method reflects the transfer of controls of the services underlying the particular performance obligation to the customer.

Revenue from sales of products in the consolidated statement of loss is recognized at the point in time when the Company has transferred control of the products to the buyer, which is generally on delivery of the product. The Company generally has a right to payment at the time of delivery, which is the same time that the Company has satisfied its performance obligation under the arrangement, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before the payment is due.

The Company recognizes revenue from sales of services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company uses an input method in measuring progress of the services because there is a direct relationship between the Company's effort (i.e., based on the labour hours incurred) and the transfer of service to the customer. The Company recognizes revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Consideration received from customers for which the Company has an obligation to transfer products or services is recorded as a deferred revenue.

**2. Summary of accounting policies (continued)**

*Income taxes*

a) Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income taxes

The Company accounts for deferred income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities, using enacted or substantively enacted income tax rates expected to be in effect for the year in which differences are expected to reverse.

Deferred income tax assets are recorded only to the extent that it is probable that they will be recovered.

*Fair value measurement*

The fair value of a financial instrument is equal to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. Fair value is based on the presumption that the transaction takes place in the principal market for the asset or liability. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value requires the use of valuation techniques and assumptions. Fair value amounts disclosed in these consolidated financial statements represent the Company's estimate of the price at which a financial instrument could be sold or transferred between market participants. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions.

All assets and liabilities for which fair value is measured in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities.
- Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Valuation techniques for which a significant input for the asset or liability is not based on observable market data (unobservable inputs).

## **2. Summary of accounting policies (continued)**

### *Discontinued operations*

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Cash flows from discontinued operations are included in the consolidated statement of cash flows and are disclosed separately in Note 7. The Group includes proceeds from disposal in cash flows from discontinued operations.

Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### *New and amended standards and interpretations*

The company is currently assessing the potential impact of new standards and amendments on its financial statements, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### *Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback*

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

### *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

### **3. Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year.

#### **Judgments**

##### *Development costs*

The Company capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgment that the Company can demonstrate the existence of a market for the product developed and that it will have the technical and financial capacity to complete the project until commercialization.

##### *Discontinued operations*

In September 2024, Company ceased its Modules operations. The timing at which the criteria of IFRS 5, Non-current assets held for sale and discontinued operations, were met is based on management's judgment.

#### **Estimates and assumptions**

##### *Government grant liabilities*

The Company has government grants that include reimbursement clauses based on the sales of a specific program. In order to account for the present value under the effective interest method, or upon initial recognition, management must estimate the future sales over the expected duration of reimbursement. These forecasts are used to determine the expected repayment schedule. Refer to Note 17.

##### *Stock-based payments*

The Company initially measures at fair value the cost of equity-settled transactions using the Black-Scholes model. Transactions of the year include equity-settled transactions with employees and management under the equity incentive plan (Note 19) and the issuance of Non-Voting Special Shares and Earnout Non-Voting Special Shares as part of the BCA (Note 4 and 18). Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the fair value of the shares of the Company at the grant date.

##### *Recoverable amount of a group of assets or a CGU*

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC). These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statement of loss. Refer to Note 6.

**3. Significant accounting judgments, estimates and assumptions (continued)**

*Significant estimates for debt, including bifurcation*

The Company holds certain financial instruments, including the convertible loan and the credit facility, which requires management to make significant estimates and assumptions that affect the reported amounts in the consolidated financial statements. The following provides information about the key estimates associated with the valuation of debt instruments, specifically those that involve bifurcation.

i. Bifurcation of debt instruments:

The Company has debt instruments with embedded features that may require bifurcation for accounting purposes. Bifurcation separates the host contract and the embedded features to be accounted for separately. The valuation of the embedded features, such as conversion options or detachable warrants, is a significant estimate that involves subjective judgment and market-based assumptions.

ii. Valuation methodology:

The fair value of the bifurcated embedded features is determined using a combination of valuation techniques, including option pricing models and market-based observable inputs. Significant inputs to the valuation model include, but are not limited to, the expected term of the embedded feature, volatility, risk-free interest rates, and credit spreads.

iii. Assumptions and uncertainties:

Company's estimates of fair value involve inherent uncertainties due to the subjective nature of certain inputs. Changes in assumptions related to volatility, credit spreads, or other market conditions could materially impact the fair value measurement. Additionally, the Company considers the possibility of changes in the terms of the debt instrument that may trigger reassessment of the bifurcation.

The Company measured its convertible loans and the credit facility, including embedded derivatives, up to November 1, 2021, at fair value with any changes in fair value recognized in the consolidated statement of loss (except that fair value changes due to credit risk are recorded in other comprehensive income (loss), if any). The fair value determination was estimated using the expected value method, which is the sum of probability weighted amounts discounted in a range of possible outcome. Refer to Note 15 for disclosures relating to the convertible notes and credit facility.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**3. Significant accounting judgments, estimates and assumptions (continued)**

*Term loan*

The Company initially measured its term loan at fair value using a discounted cash flow model including the estimate of the market rate of interest specific to the borrowing.

*Contingent consideration payable*

The Company measured the contingent consideration payable at fair value with any changes in fair value recognized in the consolidated statement of loss (including the fair value changes due to credit risk, if any) up until the settlement of the contingent consideration payable on issuance of the common shares. The fair value was determined based on the number of common shares that the Company expected to issue based on specific conditions multiplied by the fair value of the Company's common shares. Refer to 24 for gain on revaluation of contingent consideration for year ended September 30, 2022.

**4. Acquisition of Prospector Capital Corp.**

On December 21, 2023, the Company completed a plan of arrangement pursuant to a BCA with Prospector and LeddarTech Holdings Inc. Pursuant to the plan of arrangement and BCA, Prospector amalgamated with LeddarTech Holdings Inc., a wholly owned subsidiary of the Company which was incorporated for the purpose of effecting the business combination, to form "Amalco". Also pursuant to the plan of arrangement, after the preferred shares of LeddarTech converted into common shares of LeddarTech, Amalco acquired all of the issued and outstanding common shares of LeddarTech from LeddarTech's shareholders in exchange for common shares of Amalco, and LeddarTech and Amalco amalgamated. The Transactions are accounted for as a reverse asset acquisition in accordance with IFRS 2, Stock-based Payment ("IFRS 2") since Prospector does not meet the definition of a business in accordance with IFRS 3, Business Combinations ("IFRS 3").

On closing, the Company accounted for the fair value of the common shares issued to Prospector shareholders at the market price of Prospector's publicly traded common shares on December 21, 2023. The fair value of the Class A Non-Voting Special Shares was determined using an option pricing model that considers the vesting terms of the instruments issued, which are subject to a seven-year vesting pursuant to which such Class A Non-Voting Special Shares will vest and convert into common shares, in equal thirds upon the volume weighted average price of the common shares exceeding US\$12.00, US\$14.00 and US\$16.00, respectively, for any 20 trading days within any consecutive 30 trading day period commencing at least 150 days following the closing. As part of the amalgamation, the Company acquired cash, accounts payable and accrued liabilities and warrant liabilities. The difference between the fair value of the consideration paid over the fair value of the identifiable net assets of Prospector represents a service for the listing of the Company and is recognized as a listing expense in the consolidated statement of loss and comprehensive loss.

The following table reconciles the fair value of elements of the Transactions:

	<u>\$</u>
<b>Fair value of consideration transferred</b>	
8,770,930 common shares	55,257,187
2,031,250 Class A Non-Voting Special Shares	<u>10,115,625</u>
	65,372,812
<b>Fair value of assets acquired, and liabilities assumed</b>	
Cash	19,477,645
Accounts payable and accrued liabilities	(11,497,830)
Warrant liability <sup>1</sup>	<u>(1,746,575)</u>
<b>Net asset acquired</b>	<u>6,233,240</u>
<b>Listing expense</b>	<u>59,139,572</u>

1 Warrant liability includes Public Warrants, Private Warrants and Vesting Sponsor Warrants. See Note 16 for additional information.

As at September 30, 2024, total transaction costs of \$2,407,977 in connection with the Transaction were expensed as incurred in the consolidated statements of loss and comprehensive loss.

**5. Restructuring costs**

In 2023, LeddarTech announced restructuring initiatives driven by a change in the focus of the Company's operations, now focused on services and products targeted at the ADAS and AD markets. These initiatives, consisting of the reduction of the workforce, have mostly been completed over the fiscal year ending September 30, 2023. In 2024, restructuring costs of \$46,387 were incurred and paid.

**6. Impairment of goodwill and intangible assets**

In the fourth quarter of 2024, the Company conducted two impairment tests: one on certain specific assets and one on its CGU.

These tests considered the assumptions of the strategic plan that was reviewed during the fourth quarter of 2024. This plan incorporated a significant shift out in the expected timing of future revenue for certain developed or acquired technologies, as well as an increase in the companies cost of capital as a result of the variability in the companies share price and other factors.

**Specific assets level:**

Through the review of its strategic plan, certain development costs and licenses were no longer expected to be used, and a test was performed at these assets level. These assets had a carrying amount of \$3.7 million and were completely written-off, resulting in an impairment expense of the same amount.

**CGU level:**

The Company also performed a formal annual impairment test for its goodwill and intangible assets not yet available through the assessment of the recoverable amount of the CGU to which they belong.

The recoverable amount of the CGU has been determined based on its value-in-use. The value-in-use is calculated using cash flow projections from financial forecasts approved by senior management covering a five-year period. The projected cash flows have been updated to reflect a delay in the expected timing for implementation of LeddarTechs software. The pre-tax discount rate applied to cash flow projections is 40.75% and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate. It was concluded that the fair value less costs of disposal did not exceed the value-in-use. As of September 30, 2024, as a result of this analysis, management has recognized a goodwill impairment charge of \$7.3 million and an impairment charge on development costs of \$58.3 million.

**6. Impairment of goodwill and intangible assets (continued)**

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions:**

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rate
- Market share during the forecast period
- Gross margin
- Growth rate used to extrapolate cash flows beyond the forecast period

**Discount rate** – Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segment and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Any rise or decrease in the pre-tax discount rate from the current level of 40.75% would result in a significant variation of the recognized impairment expense.

**Market share assumption** – When using industry data for growth rates (as noted below), these assumptions are important because management assesses how the Company's position, relative to its competitors, might change over the forecast period. Management expects the Company's share of the market to increase over the forecast period.

Although management expects the Company's market share to increase over the forecast period, any increase or decline in the expected market share would result in a significant variance of the recognized impairment expense.

**Gross margin** – Gross margins are based on the expected values to be achieved at the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Decreased demand can lead to a decline in the gross margin. Any increase or decrease in the gross margin would result in a significant variance of the recognized impairment expense.

**Growth rate estimate** – Rates are based on published industry research.

Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts but could yield a reasonably possible alternative to the estimated long-term growth rate of 2.5%. Any rise or reduction in the long-term growth rate would result in a significant variance of the recognized impairment expense.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**7. Discontinued operations**

In September 2024, the Company ceased its Modules operations. The results of operations and cash flows related to this business are reclassified as discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows as follows:

**Consolidated statements of loss and comprehensive loss**

	<b>Years ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Products	7,419,695	7,151,449	8,093,462
Services	62,210	64,810	38,809
Other	59,831	33,363	—
	<u>7,541,285</u>	<u>7,249,622</u>	<u>8,132,271</u>
Cost of sales	5,608,917	7,521,846	5,231,093
<b>Gross profit</b>	<u>1,932,368</u>	<u>(272,224)</u>	<u>2,901,178</u>
<b>Operating expenses</b>			
Research and development costs, net	855,293	1,465,423	866,847
Restructuring costs	—	22,189	—
Impairment loss related to property and equipment	38,612	—	—
Impairment loss related to intangible assets	—	5,791,439	—
	<u>893,905</u>	<u>7,279,051</u>	<u>866,847</u>
<b>Income (loss) from operations</b>	<u>1,038,463</u>	<u>(7,551,275)</u>	<u>2,034,331</u>
<b>Other (income) costs</b>			
Gain on fixed assets disposal	(84,576)	—	—
Finance costs, net	—	31,357	33,116
<b>Income (loss) before income taxes</b>	<u>1,123,039</u>	<u>(7,582,632)</u>	<u>2,001,215</u>
Income taxes	—	—	—
<b>Net income (loss) and comprehensive loss from discontinued operations</b>	<u>1,123,039</u>	<u>(7,582,632)</u>	<u>2,001,215</u>
<b>Earnings (loss) per share</b>			
Net income (loss) per common share, basic and diluted	0.05	(45.24)	14.83
Weighted average common shares outstanding, basic and diluted	<u>22,774,782</u>	<u>167,610</u>	<u>134,913</u>

**LeeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**7. Discontinued operations (continued)**

**Consolidated statements of cash flows**

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash flows related to operating activities	<b>1,169,278</b>	(5,420,025)	(2,978,135)
Cash flows related to investing activities	—	10,000	(81,227)
Cash flows related to financing activities	—	—	—
<b>Cash flows (used in) provided by discontinued operations</b>	<b>1,169,278</b>	<b>(5,410,025)</b>	<b>(3,059,362)</b>

*a) Recasted financial statements*

For the years ended September 30, 2023 and 2022, the Company recast its audited and previously issued consolidated statement of loss and comprehensive loss, consolidated statements of cash flows and certain footnotes to reflect the discontinued operations.

Further, the Company also reclassified certain operating expenses between the operating expense categories below to align the year ended 2023 with the presentation in the year ended September 30, 2024.

The following tables show the adjustments made to the previously reported Consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and operating expenses for the year ended September 30, 2022.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**7. Discontinued operations (continued)**

*a) Recasted financial statements (continued)*

**Consolidated statements of loss and comprehensive loss**

	<b>Year ended September 30, 2022</b>		
	As previously reported \$	Adjustments \$	As recast \$
<b>Revenue</b>			
Products	8,145,606	(8,093,462)	52,144
Services	543,409	(38,809)	504,600
Other	77,106	—	77,106
	<u>8,766,121</u>	<u>(8,132,271)</u>	<u>633,850</u>
Cost of sales	5,310,718	(5,231,093)	79,625
<b>Gross profit</b>	<u>3,455,403</u>	<u>(2,901,178)</u>	<u>554,225</u>
<b>Operating expenses</b>			
Marketing and product management	3,280,864	—	3,280,864
Selling	3,976,733	—	3,976,733
General and administrative	15,548,293	—	15,548,293
Research and development costs, net	22,057,911	(866,847)	21,191,064
Stock based compensation	4,272,673	—	4,272,673
Impairment loss related to intangible assets	38,207,503	—	38,207,503
	<u>87,343,977</u>	<u>(866,847)</u>	<u>86,477,130</u>
<b>Loss from operations</b>	<u>(83,888,574)</u>	<u>(2,034,331)</u>	<u>(85,922,905)</u>
<b>Other (income) costs</b>			
Grant revenue	(435,448)	—	(435,448)
Finance costs, net	(10,034,381)	(33,116)	(10,067,497)
<b>Loss before income taxes from continuing operations</b>	<u>(73,418,745)</u>	<u>(2,001,215)</u>	<u>(75,419,960)</u>
Income taxes	—	—	—
<b>Net loss and comprehensive loss from continuing operations</b>	<u>(73,418,745)</u>	<u>(2,001,215)</u>	<u>(75,419,960)</u>
<b>Discontinued operations</b>			
Net income (loss) and comprehensive income (loss) from discontinued operations	—	2,001,215	2,001,215
<b>Net loss and comprehensive loss</b>	<u>(73,418,745)</u>	<u>—</u>	<u>(73,418,745)</u>
<b>Net loss and comprehensive loss attributable to:</b>			
Non-controlling interests	(4,099,897)	—	(4,099,897)
<b>Equity holders of the parent</b>	<u>(69,318,848)</u>	<u>—</u>	<u>(69,318,848)</u>
<b>Earnings (loss) per share</b>			
Net income (loss) per common share, basic and diluted	(513.80)	14.83	(528.64)
Weighted average common shares outstanding, basic and diluted	134,913	134,913	134,913

**Consolidated statements of cash flows**

	<b>Year ended September 30, 2022</b>		
	As previously reported \$	Adjustments \$	As recast \$
Net loss	(73,418,745)	(2,001,215)	(75,419,960)
Net income from discontinued operations	—	2,001,215	2,001,215

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**7. Discontinued operations (continued)**

*a) Recasted financial statements (continued)*

**Operating expenses**

	<b>Year ended September 30, 2022</b>		
	As previously reported \$	Adjustments \$	As recast \$
Employee benefit expenses	30,802,594	(713,917)	30,088,677
Stock-based compensation	4,272,673	—	4,272,673
Research costs	2,074,830	(89,788)	1,985,042
Impairment loss related to intangible assets	38,207,503	—	38,207,503
Marketing expenses	917,223	—	917,223
Selling expenses	299,382	—	299,382
Depreciation of property and equipment	1,291,048	—	1,291,048
Product line management expenses	47,965	—	47,965
Recruitment fees	791,788	(11,662)	780,126
Professional fees	3,852,140	—	3,852,140
Other expenses	1,176,515	—	1,176,515
Subcontractor services	2,006,904	(26,404)	1,980,500
Travel expenses	482,358	(11,864)	470,494
Amortization of intangible assets	257,064	—	257,064
Insurance	373,311	—	373,311
Research and development tax credits	(70,191)	—	(70,191)
Depreciation expense on right of use assets	560,870	(13,212)	547,658
Total operating expenses	<u>87,343,977</u>	<u>(966,847)</u>	<u>86,477,130</u>

**Revenue by location**

For years ended September 30, 2024, 2023 and 2022, the revenue by location, which is determined based on the primary billing address of the customer, is as follows:

	<b>Year ended September 30,</b>		
	2024 \$	2023 \$	2022 \$
France	2,594,091	2,433,571	775,891
Canada	1,506,247	131,675	709,172
United States	1,481,493	2,863,154	4,609,147
Japan	1,068,814	124,384	263,752
Turkey	493,407	-	156,420
South Korea	478,024	744,466	502,461
Czech Republic	176,809	-	-
United Kingdom	125,529	-	300,211
Poland	77,809	116,810	-
Hong Kong	50,306	646,696	296,838
Columbia	31,807	54,767	-
Germany	-	182,351	266,662
Italy	-	-	171,237
New Zealand	-	-	71,015
China	-	-	125,441
Other	(65,239)	149,304	517,874
Total revenue	<u>8,019,097</u>	<u>7,447,178</u>	<u>8,766,121</u>
Revenue from continuing operations	<u>(477,812)</u>	<u>(197,556)</u>	<u>(633,850)</u>
Revenue from discontinued operations	<u>7,541,285</u>	<u>7,249,622</u>	<u>8,132,271</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**8. Trade receivable and other receivables**

	<b>As at September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade accounts receivable	<b>670,960</b>	1,663,495
Commodity taxes receivable	<b>338,456</b>	1,407,560
Others	<b>479,986</b>	618,420
	<b><u>1,489,402</u></b>	<u>3,689,475</u>

Trade accounts receivable are non-interest bearing and normally due within 30 days from the date an invoice is issued. Bad debt expense amounted to Nil as at September 30, 2024 (Nil as at September 30, 2023).

**9. Inventories**

	<b>As at September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Raw materials	<b>164,159</b>	942,860
Finished goods	<b>303,185</b>	304,086
	<b><u>467,344</u></b>	<u>1,246,946</u>

Inventories recognized as cost of sales expense in the net loss from discontinued operations for the years ended September 30, 2024, 2023 and 2022 was \$2,571,054, \$7,521,845 and \$5,241,718, respectively. The Company recognized \$1,078,324, \$2,299,866 and \$19,859 of inventory write-downs during the 12 months ended September 30, 2024, 2023 and 2022, respectively. The write-downs related to inventory obsolescence were recorded in the net loss from discontinued operations.

**10. Property and equipment**

	<b>Computer equipment</b>	<b>Office furniture and equipment</b>	<b>R&amp;D equipment and tools</b>	<b>Stands and moulds</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>							
October 1, 2023	5,015,523	1,073,834	1,206,115	898,697	1,125,039	192,205	9,511,413
Additions	236,352	5,005	166,485	—	—	96,478	504,320
Disposals	—	(12,100)	—	—	—	—	(12,100)
Write-offs	(19,935)	(295,287)	(87,418)	(726,723)	—	—	(1,129,363)
September 30, 2024	<b><u>5,231,940</u></b>	<b><u>771,452</u></b>	<b><u>1,285,182</u></b>	<b><u>171,974</u></b>	<b><u>1,125,039</u></b>	<b><u>288,683</u></b>	<b><u>8,874,270</u></b>
<b>Accumulated depreciation</b>							
October 1, 2023	4,292,037	960,597	994,114	629,731	416,400	147,077	7,439,956
Depreciation <sup>(1)</sup>	640,962	25,892	97,808	265,897	134,871	35,132	1,200,562
Write-offs	(19,935)	(268,776)	(87,418)	(726,723)	—	—	(1,102,852)
September 30, 2024	<b><u>4,913,064</u></b>	<b><u>717,713</u></b>	<b><u>1,004,504</u></b>	<b><u>168,905</u></b>	<b><u>551,271</u></b>	<b><u>182,209</u></b>	<b><u>7,537,666</u></b>
<b>Net book value</b>							
September 30, 2024	<b><u>318,876</u></b>	<b><u>53,739</u></b>	<b><u>280,678</u></b>	<b><u>3,069</u></b>	<b><u>573,768</u></b>	<b><u>106,474</u></b>	<b><u>1,336,604</u></b>

<sup>1</sup> Depreciation of \$340,545 related to property and equipment is capitalized in development costs as they are used in development projects that are eligible for capitalization.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**10. Property and equipment (continued)**

	<b>Computer equipment</b>	<b>Office furniture and equipment</b>	<b>R&amp;D equipment and tools</b>	<b>Stands and moulds</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>							
October 1, 2022	4,867,724	1,108,834	1,166,561	898,697	1,133,617	192,205	9,367,638
Additions	147,799	—	49,554	—	(8,578)	—	188,775
Disposals	—	(35,000)	(10,000)	—	—	—	(45,000)
September 30, 2023	<u>5,015,523</u>	<u>1,073,834</u>	<u>1,206,115</u>	<u>898,697</u>	<u>1,125,039</u>	<u>192,205</u>	<u>9,511,413</u>
<b>Accumulated depreciation</b>							
October 1, 2022	3,376,015	856,301	657,734	497,133	259,710	97,736	5,744,629
Depreciation <sup>(1)</sup>	916,022	104,296	336,380	132,598	156,690	49,341	1,695,327
September 30, 2023	<u>4,292,037</u>	<u>960,597</u>	<u>994,114</u>	<u>629,731</u>	<u>416,400</u>	<u>147,077</u>	<u>7,439,956</u>
<b>Net book value</b>							
September 30, 2023	<u>723,486</u>	<u>113,237</u>	<u>212,001</u>	<u>268,966</u>	<u>708,639</u>	<u>45,128</u>	<u>2,071,457</u>

1 Depreciation of \$420,730 related to property and equipment is capitalized in development costs as they are used in development projects that are eligible for capitalization.

Depreciation is included in the consolidated statement of loss as follows:

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cost of sales <sup>(1)</sup>	<b>270,806</b>	214,828	157,819
Marketing and product management	7	1,686	624
General and administrative expenses	<b>415,083</b>	794,273	1,108,835
Research and development costs	<b>97,185</b>	263,810	181,589
	<u><b>783,081</b></u>	<u>1,274,597</u>	<u>1,448,867</u>

<sup>1</sup> Depreciation recognized as an expense in cost of sales is included in Net income (loss) and comprehensive income (loss) from discontinued operations

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**11. Leases**

The Company has lease contracts for office premises and other equipment. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	<b>Office premises</b>	<b>Other equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
September 30, 2022	5,881,811	10,563	5,892,374
Lease modification	(879,689)	—	(879,689)
Reassessment of the right-of-use assets	(888,426)	—	(888,426)
Depreciation <sup>(1)</sup>	(938,071)	(5,870)	(943,941)
September 30, 2023	<u>3,175,625</u>	<u>4,693</u>	<u>3,180,318</u>
Lease modification	<b>3,968</b>	—	<b>3,968</b>
Reassessment of the right-of-use assets	<b>(462,032)</b>	<b>(4,398)</b>	<b>(466,430)</b>
Depreciation <sup>(1)</sup>	<b>(810,500)</b>	—	<b>(810,500)</b>
<b>September 30, 2024</b>	<b><u>1,907,061</u></b>	<b><u>295</u></b>	<b><u>1,907,356</u></b>

<sup>1</sup> Depreciation of \$294,942 (\$362,005 in 2023 and \$120,236 in 2022) related to right-of-use assets is capitalized in development costs as they are used in development projects that are eligible for capitalization.

Set out below are the carrying amounts of lease liabilities and the movements during the years ended September 30:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Balance, beginning of year</b>	<b><u>3,781,233</u></b>	<b><u>6,579,103</u></b>
Additions	—	—
Lease modification	<b>(214,057)</b>	(958,296)
Reassessment of the lease liability	<b>(462,032)</b>	(888,426)
Accretion of interest	<b>300,424</b>	401,229
Gain on foreign exchange	<b>66,894</b>	(213,333)
Lease payments	<b>(1,272,102)</b>	(1,139,044)
<b>Balance, end of year</b>	<b><u>2,200,360</u></b>	<b><u>3,781,233</u></b>
Current	<b>663,920</b>	722,675
Non-current	<b><u>1,536,440</u></b>	<b><u>3,058,558</u></b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**11. Leases (continued)**

Depreciation of right-of-use assets is included in the consolidated statement of loss as follows:

	<b>Year ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	\$	\$
Cost of sales <sup>(1)</sup>	<b>37,098</b>	48,542	50,071
Marketing and product management	<b>66,686</b>	5,778	11,303
Selling expenses	-	5,526	11,247
General and administrative expenses	<b>408,752</b>	455,932	237,596
Research and development costs	<b>3,022</b>	66,158	300,724
	<b><u>515,558</u></b>	<u>581,936</u>	<u>610,941</u>

<sup>1</sup> Depreciation of right-of-use assets recognized as an expense in cost of sales is included in Net income (loss) and comprehensive income (loss) from discontinued operations

The maturity analysis of lease liabilities based on contractual undiscounted payments is as follows:

	<b>\$</b>
Less than 1 year	<b>855,207</b>
1 to 5 years	<b>2,451,771</b>
More than 5 years	<b>948,059</b>
	<b><u>4,255,037</u></b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**11. Leases (continued)**

The following are the amounts recognized in net loss:

	<b>Years ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Depreciation expense of right-of-use assets <sup>(1)</sup>	<b>515,558</b>	<b>581,936</b>	610,941
Interest expense on lease liabilities <sup>(2)</sup>	<b>300,424</b>	<b>401,229</b>	551,291
Expense relating to short-term leases	—	—	16,649
Expense relating to leases of low-value assets	—	—	37,477
Variable lease payments	—	—	2,805
Gain on foreign exchange	<b>66,894</b>	<b>(213,333)</b>	<b>(55,852)</b>
	<b>882,876</b>	<b>769,832</b>	<b>1,163,311</b>

(1) Depreciation of right-of-use assets of \$37,098, \$48,542 and \$50,071 is included in Net income (loss) and comprehensive income (loss) from discontinued operations for the years ended September 30, 2024, 2023 and 2022 respectively.

(2) Interest expense on lease liabilities includes for the year ended September 31, 2022, includes \$33,116 of interest expense which is presented in the Net income (loss) and comprehensive income (loss) from discontinued operations.

During the year, the Company entered into lease modifications for its Toronto, Montreal and Québec city locations, in order to cancel a renewal option, decrease of a lease term and reduce the rented square footage. As per the amendments, a gain on lease modification of \$204,146 was recorded.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**12. Intangible assets**

	Patents	Licenses	Software	Development costs <sup>2</sup> (not amortized)	Development costs (amortized)	Others	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
September 30, 2023	3,450,455	1,186,337	575,719	43,267,013	1,808,860	94,810	50,383,194
Additions	583,915	—	—	13,701,764	—	—	14,285,679
Borrowing costs <sup>(1)</sup>	—	—	—	8,243,628	—	—	8,243,628
Write-off component (Note 7)	—	—	—	(3,720,042)	—	—	(3,720,042)
R&D tax credit (Note 25)	—	—	—	(346,580)	—	—	(346,580)
Grants (Note 23)	—	—	—	(13,713)	—	—	(13,713)
September 30, 2024	<u>4,034,370</u>	<u>1,186,337</u>	<u>575,719</u>	<u>61,132,070</u>	<u>1,808,860</u>	<u>94,810</u>	<u>68,832,166</u>
<b>Accumulated amortization and impairment</b>							
September 30, 2023	1,059,007	1,183,761	520,998	—	1,708,264	73,056	4,545,086
Amortization <sup>(3)</sup>	391,012	2,576	32,110	—	100,596	5,222	531,516
Impairment (Note 6)	—	—	—	58,185,884	—	—	58,185,884
September 30, 2024	<u>1,450,019</u>	<u>1,186,337</u>	<u>553,108</u>	<u>58,185,884</u>	<u>1,808,860</u>	<u>78,278</u>	<u>63,262,486</u>
<b>Net book value</b>							
September 30, 2024	<u>2,584,351</u>	<u>—</u>	<u>22,611</u>	<u>2,946,186</u>	<u>—</u>	<u>16,532</u>	<u>5,569,680</u>

<sup>1</sup> The capitalization rates used to determine the amount of general borrowing costs eligible for capitalization during year ended September 30, 2024 was 22.8%.

<sup>2</sup> The unamortized development costs are not yet available for use and amortization will begins when development is completed, and the asset is available for use. Such development costs are related to projects to develop and enhance the technology and capabilities with respect to autonomous driving and ADAS applications.

<sup>3</sup> Depreciation of \$273,584 (\$117,535 in 2023 and \$227,873 in 2022) related to intangible assets is capitalized in development costs as they are used in development projects that are eligible for capitalization.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**12. Intangible assets (continued)**

	<b>Patents</b>	<b>Licenses</b>	<b>Software</b>	<b>Development costs<sup>2</sup> (not amortized)</b>	<b>Development costs (amortized)</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>							
October 1, 2022	2,321,660	2,610,533	575,719	68,117,368	1,808,860	94,810	75,528,950
Additions	1,128,795	—	—	12,769,457	—	—	13,898,252
Borrowing costs <sup>(1)</sup>	—	—	—	3,898,829	—	—	3,898,829
Write-offs <sup>(3)</sup>	—	(1,424,196)	—	(40,993,947)	—	—	(42,418,143)
R&D tax credits (Note 24)	—	—	—	(256,234)	—	—	(256,234)
Grants (Note 22)	—	—	—	(268,460)	—	—	(268,460)
September 30, 2023	<u>3,450,455</u>	<u>1,186,337</u>	<u>575,719</u>	<u>43,267,013</u>	<u>1,808,860</u>	<u>94,810</u>	<u>50,383,194</u>
<b>Accumulated amortization and impairment</b>							
October 1, 2022	798,878	1,147,272	476,003	36,602,380	1,675,906	67,322	40,767,761
Amortization	260,129	36,489	44,995	24,324	32,358	5,734	404,029
Impairment <sup>(3)</sup>	—	1,424,196	—	4,367,243	—	—	5,791,439
Write-offs	—	(1,424,196)	—	(40,993,947)	—	—	(42,418,143)
September 30, 2023	<u>1,059,007</u>	<u>1,183,761</u>	<u>520,998</u>	<u>—</u>	<u>1,708,264</u>	<u>73,056</u>	<u>4,545,086</u>
<b>Net book value</b>							
September 30, 2023	<u>2,391,448</u>	<u>2,576</u>	<u>54,721</u>	<u>43,267,013</u>	<u>100,596</u>	<u>21,754</u>	<u>45,838,108</u>

<sup>1</sup> The capitalization rate used to determine the amount of general borrowing costs eligible for capitalization during the year ended September 30, 2023 was 17%.

<sup>2</sup> Including \$43,267,013 not yet available for use for which amortization begins when development is completed, and the asset is available for use. Such development costs are related to projects to develop and enhance the technology and capabilities with respect to autonomous driving and ADAS applications.

<sup>3</sup> During the fiscal year 2023, an impairment expense amounting to \$5,791,439 was recognized:

- i. During the first quarter of 2023, the Company reviewed its September 30, 2022 transition plan resulting in certain development costs and licenses no longer expected to be used. Consequently, certain intangible assets were no longer expected to be used and the test was performed at the asset level. These assets had a carrying amount of \$5,791,439 and were completely written-off, resulting in an impairment expense of the same amount, including the license related to the development of Components technology projects for \$1,424,196;
- ii. The Company performs an annual impairment test for its goodwill and intangible assets not yet available through the assessment of the recoverable amount of the CGU to which they belong. The CGU selected for impairment testing was identified based on the level at which goodwill is monitored for internal management purposes, and to which the intangible assets not yet available for use pertain; and

The recoverable amount of the CGU is determined based on the higher of its value-in-use and fair value less costs to sell. The value-in-use is calculated using discounted cash flow projections, taking into consideration management's best estimates of future cash flows, growth rates, and appropriate discount rates. The discount rate of 33.65% is based on an estimated weighted average cost of capital ("WACC") for the Company, adjusted to reflect the risks related to the projected cash flows of the CGU.

The recoverable amount of the CGU, including goodwill and intangible assets not yet available for use, exceeds its carrying amount. The model is particularly sensitive to the future expected cash flows in the upcoming periods, should these not be realized, an impairment loss may be needed in future periods.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**12. Intangible assets (continued)**

Amortization is included in the consolidated statement of loss as follows:

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	\$	\$
General and administrative expenses	—	52,160	127,764
Research and development costs	<b>257,932</b>	234,334	129,300
	<b>257,932</b>	286,494	257,064

During the year ended September 30, 2022, the Company recorded an impairment loss of \$38,207,503. The impairment loss was recorded as a result of the Company's transition into an automotive software business model. Certain intangible assets were no longer expected to be used, and the test was performed at the asset level. The assets had a carrying value of \$7,975,234 and were completely written off resulting in an impairment expense of the same amount. Certain intangible assets within the CGU were still expected to be used but their recoverable amount (\$2,233,781) was determined to be less than their related carrying value (\$32,466,050). Consequently, an impairment loss of \$30,232,269 was recognized. The value in use of these assets were determined to be higher than the fair value less cost of disposal, hence corresponding to the recoverable amount. The value in use is based on the net present value of the future cash flows expected to arise from a potential license agreement, discounted at a rate of 27.5%. The discount rate is based on an estimated weighted average cost of capital ("WACC") for the Company, adjusted to reflect the risks related to the projected cash flows of these assets. The model is particularly sensitive to the future expected cash flows in the upcoming periods, should these not be realized, an impairment loss may be needed in future periods.

**13. Accounts payable and accrued liabilities**

	<b>As at September 30,</b>	
	<b>2024</b>	2023
	<b>\$</b>	\$
Trade payables and accrued liabilities	<b>7,494,326</b>	6,466,196
Salaries and fringe benefits	<b>4,706,033</b>	5,757,652
Interest payable on credit facility	<b>903,901</b>	221,247
Deferred revenue (Note 7)	<b>474,380</b>	1,104,229
Others	<b>308,629</b>	21,581
	<b>13,887,269</b>	13,570,905

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**14. Provisions**

The following table details the changes in provisions between September 30, 2024 and 2023:

	<b>Onerous contracts</b>
	<b>\$</b>
<b>Balance, as at September 30, 2022</b>	<u>—</u>
New provisions	1,652,216
Revision of estimations	(287,021)
Provisions utilized	<u>(487,051)</u>
<b>Balance, as at September 30, 2023</b>	<b>878,144</b>
Revision of estimations	<b>(8,736)</b>
Provisions utilized	<b><u>(869,408)</u></b>
<b>Balance, as at September 30, 2024</b>	<b><u>—</u></b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**15. Bridge loans and long-term debt**

The following table details the maturities and weighted average interest rates related to long-term debt as at September 30, 2024 and 2023:

	<b>Final maturity</b>	<b>Weighted average effective interest rate %</b>	<b>September 30, 2024 \$</b>	<b>September 30, 2023 \$</b>
Convertible loan <sup>(a)</sup>	<b>2028</b>	<b>23.36</b>	<b>40,309,902</b>	11,258,950
Credit facility <sup>(b)</sup>	<b>2026</b>	<b>14.12</b>	<b>28,229,902</b>	28,747,705
Term loan	<b>2030</b>	<b>33.65</b>	<b>10,767,007</b>	7,718,928
Non-convertible bridge loan <sup>(c)</sup>	<b>2024</b>	<b>155.04</b>	<b>3,059,996</b>	—
Convertible bridge loan <sup>(c)</sup>	<b>2024</b>	—	<b>6,853,623</b>	—
<b>Total debt</b>		<b>27.45</b>	<b>89,220,430</b>	<b>47,725,583</b>
Bridge loans			<b>9,913,619</b>	—
<b>Long-term debt</b>			<b>79,306,811</b>	<b>47,725,583</b>

a) *Convertible loan*

On June 12, 2023, concurrently with the execution of the BCA described in Note 4, LeddarTech entered into a subscription agreement (the “Subscription Agreement”) with certain investors, including investors who subsequently joined the Subscription Agreement (the “PIPE Investors”), pursuant to which the PIPE Investors agreed to purchase secured convertible notes of LeddarTech (the “PIPE Convertible Notes”) in an aggregate principal amount of at least US\$43.0 million (the “PIPE Financing”).

The PIPE Convertible Notes are denominated in US Dollars with a term of 60 months after issuance of Tranche B. They bear interest at a rate of 12% compounded annually and added to the principal amount of the notes. The PIPE Convertible Notes include a conversion option allowing the holders of the PIPE Convertible Notes, at any time before maturity, to convert the outstanding principal amount into Common Shares using a conversion price of US\$10.00 per Common Share.

PIPE Investors in certain tranches of the PIPE Convertible Notes received at the time of issuance of such notes warrants to acquire Class D-1 preferred shares of LeddarTech (the “Class D-1 Preferred Shares” and the warrants, the “PIPE Warrants”) exercisable at the cost of US\$0.01 per share.

The PIPE Convertible Notes are secured by a hypothec in the amount of US\$60,000,000 over the universality of the Company’s movable assets, present and future, ranking after the security of Credit Facility (Note 15b)). The Agreement contains customary covenants that provide for, among other things, limitations on indebtedness and fundamental changes and reporting requirements.

The PIPE Convertible Notes represent a hybrid financial instrument with a conversion option requiring separation. The debt host portion (the “Host”) of the instrument is classified at amortized cost, whereas the conversion option embedded derivative is classified at fair value through profit and loss (“FVTPL”).

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**15. Bridge loans and long-term debt (continued)**

	<b>Host Amortized cost \$</b>	<b>Conversion option FVTPL \$</b>	<b>PIPE Warrants FVTPL \$</b>	<b>Total \$</b>
<b>Balance, October 1, 2022</b>	-	-	-	-
Issuance of Tranche A-1 and 595,650 warrants	9,982,830	704,677	18,269,759	28,957,266
Issuance of Tranche A-2 and 9,354 warrants	158,277	12,197	278,685	449,159
Exercise of warrants	-	-	(18,548,444)	(18,548,444)
Interest accretion	1,067,932	-	-	1,067,932
Fair value adjustment	-	21,100	-	21,100
Foreign exchange	49,911	-	-	49,911
<b>Balance, September 30, 2023</b>	<u>11,258,950</u>	<u>737,974</u>	<u>-</u>	<u>11,996,924</u>
Issuance of Tranche B-1 and 24,322 warrants	<b>2,539,580</b>	<b>962,726</b>	<b>2,059,081</b>	<b>5,561,387</b>
Issuance of Tranche B-2	<b>19,605,580</b>	<b>3,985,230</b>	<b>-</b>	<b>23,590,810</b>
Exercise of warrants	-	-	(2,059,081)	(2,059,081)
Interest accretion	7,814,332	-	-	7,814,332
Exercise of conversion option	(1,049,482)	(207)	-	(1,049,689)
Fair value adjustment	-	(5,679,715)	-	(5,679,715)
Foreign exchange	141,077	-	-	141,077
<b>Balance, September 30, 2024</b>	<u><b>40,310,037</b></u>	<u><b>6,008</b></u>	<u><b>-</b></u>	<u><b>40,316,045</b></u>

The PIPE Convertible Notes and Warrants were issued in tranches. Upon issuance of each tranche, the proceeds were initially allocated to the warrants, when applicable, and conversion option. The carrying amount of the debt is then initially determined by deducting the transaction fees and the fair value of the conversion option and warrants from the proceeds received. Transaction fees of \$529,047 were incurred in relation to the PIPE Convertible Notes and Warrants. The fees were allocated in proportion of the amount of each tranche, then further allocated based on the relative value of each component. For the year ended September 30, 2024, \$345,394 was recognized as a reduction of the PIPE Convertible Notes (2023 - \$92,583) and \$125,462 was recognized in net loss under Transaction costs (2023 - \$171,940).

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**15. Bridge loans and long-term debt (continued)**

The fair value of the conversion option embedded derivative and the warrants were determined using the Black-Scholes option pricing model and the following assumptions that are Level 3 inputs:

	<u>2024</u>	
	<u>Tranche B-1</u>	<u>Tranche B-2</u>
	<u>Conversion option</u>	<u>Conversion option</u>
Fair value of the underlying share	US\$4.74	US\$4.74
Exercise price	US\$10.00	US\$10.00
Risk-free interest rate	4.05%	3.23%
Expected volatility	60%	60%
Expected life	5.00 years	5.00 years
Dividend yield	0%	0%
Fair value	\$ 2.37	\$ 2.22

  

	<u>2023</u>	
	<u>Tranche A-1</u>	<u>Tranche A-2</u>
	<u>Conversion option</u>	<u>Conversion option</u>
	<u>Warrants</u>	<u>Warrants</u>
Fair value of the underlying share	US\$1.67	US\$22.60
Exercise price	US\$10.00	US\$0.01
Risk-free interest rate	3.64%	4.81%
Expected volatility	60%	60%
Expected life	5.00 years	0.04 years
Dividend yield	0%	0%
Fair value	\$ 0.33	\$ 29.79

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**15. Bridge loans and long-term debt (continued)**

The fair value of the conversion option embedded derivative at year end were determined using the Black-Scholes option pricing model and the following assumptions:

	<u>2024</u>	<u>2023</u>
Fair value of the underlying share	<b>US\$0.30</b>	US\$1.75
Exercise price	<b>US\$10.00</b>	US\$10.00
Risk-free interest rate	<b>2.73%</b>	4.25%
Expected volatility	<b>60%</b>	60%
Expected life	<b>3.71 years</b>	4.71 years
Dividend yield	<b>0%</b>	0%
Fair value	<b>\$ 0.001</b>	\$ 0.33

*b) Amendments to the Credit Facility*

A series of amendments were made to the Credit Facility on October 13, 2023, October 20, 2023, October 31, 2023, December 8, 2023, July 5, 2024, July 26, 2024, August 5, 2024 and August 16, 2024. These amendments modify the existing terms in order to (i) extend the latest date on which the Tranche B of the SPAC Offering must be funded to December 22, 2023, (ii) extend the date on which the payment of interest for the months of October and November 2023 may be made, (iii) reduce the gradually the Available Cash requirement from \$5.0 million at all times after the DE-SPAC date to \$250,000 until August 14, 2024. and (iv) to increase the aggregate principal amount of the PIPE financing to a minimum of \$44,000,000.

In conjunction with the Credit Facility October 2023 Amendments, the Company issued warrants to purchase Company Common Shares at \$0.01 per share, which warrants will be assumed by the Company and exercisable for 250,000 Company Common Shares at \$0.01 per share.

The warrants may be exercised, in whole or in part, for a period of five years following completion of the Business Combination and will be subject to a lock-up with one third being released four months after closing, another third being released eight months after closing and the final third being released 12 months after closing.

The warrants were recorded as a reduction of the Credit Facility, with a corresponding increase in Reserve – Warrants in Equity of \$1,643,714.

During the year ended September 30, 2024, 250,000 common shares were issued following the exercise of those warrants on May 28, 2024. The corresponding balance in Reserve – Warrants in Equity of \$1,643,714 was reclassified to Capital Stock.

Following the latest amendments to the Credit Facility, the payments of interest for the month of July 2024 to October 2024 are postponed to the earlier of the Short-Term Outside date and November 15, 2024.

**15. Bridge loans and long-term debt (continued)**

The Company must pay a monthly fee of \$125,000 per month starting July 5th, 2024 until the Short-Term Outside Date. The payment of the monthly fees applicable for the month of August 2024 and for the months up until (and including) the earlier of (i) the Short-Term Outside Date and (ii) November 15, 2024 will be due at the earlier date of (i) the Short-Term Outside Date and (ii) November 15, 2024. Following the Short-Term Outside Date and until the Borrower provides Desjardins with a recapitalization plan in form and substance satisfactory to Desjardins, a monthly fee in the amount of \$75,000 will be earned and payable on the first day of each month.

*c) Bridge loans*

In August 2024, LeddarTech closed a bridge financing in an aggregate principal amount of US\$9.0 million (the “Bridge Loans”) issuable in two tranches. Tranche 1 of the Bridge Loan was issued in August 2024 at a discount of 25% for an aggregate amount of US\$6,222,667, of which US\$4,222,667 is convertible (the “Convertible Bridge Loan”) and US\$2,000,000 is not convertible (the “Non-Convertible Bridge Loan”).

The Company also received in August 2024, additional Bridge Loans in an aggregate amount of approximately US\$334,000 from certain members of management and the board of directors (collectively).

The Bridge Loans are denominated in US Dollars and repayable at maturity on November 15, 2024. The Bridge Loans bear interest at US base rate +4% calculated on the discounted balance, compounded monthly and added to the principal amount.

The Convertible Bridge Loan includes the following material conversion and settlement options available to the holder:

- Maturity conversion option: The holder of the Convertible Bridge Loan can convert at maturity the outstanding principal amount into Common Shares using a conversion price of \$5.00 per Common Share.
- Automatic conversion: Upon an offering on the Nasdaq Global Market for aggregate gross proceeds of US\$35,000,000 or more, the outstanding principal amount will automatically be converted into securities of such offering with a value equivalent to 112.5% of the outstanding principal amount.
- Optional conversion: Upon an offering on the Nasdaq Global Market for aggregate gross proceeds of less than US\$35,000,000, the holder of the Convertible Bridge Loan can convert the outstanding principal amount into securities of such offering with a value equivalent to 112.5% of the outstanding principal amount.
- The Convertible Bridge Loan also includes redemption mechanisms in the event of a change of control or an event of default.

Upon any offering on the Nasdaq Global Market, the Company is required to repay immediately the Non-Convertible Bridge Loan. The Non-Convertible Bridge Loan is classified at amortized cost.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**15. Bridge loans and long-term debt (continued)**

The Convertible Bridge Loan represent a hybrid financial instrument with embedded derivatives requiring separation. The Company has elected to classify the entire instrument at fair value through profit and loss (“FVTPL”).

Transaction fees of \$115,355 were incurred in relation to the Bridge Loan. The fees were allocated in proportion of the amount of the Convertible Bridge Loan and the Non-Convertible Bridge Loan. For the year ended September 30, 2024, \$37,076 was recognized as a reduction of the Non-Convertible Bridge Loan and \$78,279 was recognized in net loss under Transaction costs.

	<b>Non- Convertible Bridge Loan Amortized cost</b>	<b>Convertible Bridge Loan FVTPL</b>	<b>Total</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Balance, October 1, 2023</b>	-	-	-
Issuance of Tranche 1	2,613,300	5,714,630	8,327,930
Interest accretion	477,776	-	477,776
Fair value adjustment	-	1,201,172	1,201,172
Foreign exchange	(31,080)	(62,179)	(93,259)
<b>Balance, September 30, 2024</b>	<u>3,059,996</u>	<u>6,853,623</u>	<u>9,913,619</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**16. Warrant liability**

	<u>As at September 30, 2024</u>	
	<u>Number</u>	<u>\$</u>
Public and Private Warrants	16,049,080	578,446
Vesting Sponsor Warrants	1,416,670	51,060
	<u>17,465,750</u>	<u>629,506</u>

Upon close of the acquisition of Prospector, the Company assumed through the Transactions, public warrants, private warrants and vesting sponsor warrants (“Public Warrants”, “Private Warrants” and “Vesting Sponsor Warrants”, collectively “the Prospector Warrants”) in connection with the BCA and plan of arrangement (Note 4).

The Warrants each entitle their holders to purchase one common share at an exercise price of US\$11.17 per common share, which is variable in \$CDN. Accordingly, they are classified as a liability rather than equity as the Warrants do not meet the ‘fixed for fixed’ requirement. The Public and Private Warrants are exercisable and will expire on December 21, 2030. The Vesting Sponsor Warrants are identical to the Public and Private Warrants, except that the Vesting Sponsor Warrants will be deemed vested in equal thirds upon the volume weighted average price of the common shares exceeding US\$12.00, US\$14.00 and US\$16.00, respectively, for any 20 trading days within any consecutive 30 trading day period commencing at least 150 days following the closing. None of the Vesting Sponsor Warrants are redeemable by the Company.

The Warrants were initially recorded at their fair value (Note 28). The fair value of the Warrants is reassessed at the end of each reporting period with subsequent changes in fair value recognized through profit or loss. The Public Warrants are considered a level 1 financial instrument as the valuations at the end of each reporting period are based on the trading price of the Public Warrants on the Nasdaq, which are quoted and observable market prices. The Private Warrants are a level 2 financial instrument, as the valuations are based on the quoted and observable market prices of the Public Warrants. The Vesting Sponsor Warrants are a level 3 financial instrument, as the valuations are based on the quoted and observable market prices of the Public Warrants but also unobservable data.

The following table details the changes in warrant liability between December 21, 2023 and September 30, 2024:

	<u>Warrant liability</u>
	<u>\$</u>
<b>Balance, as at December 21, 2023 (issuance date)</b>	1,746,575
Revaluation of warrant liability	(1,117,069)
<b>Balance, as at September 30, 2024</b>	<u>629,506</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**17. Government grant liabilities**

As at the acquisition date of Vayavision, a government grant liability of \$420,000 was recognized at its fair value. Prior to the acquisition, Vayavision obtained an innovation grant from the Israeli Innovation Authority (“IIA”) in the amount of \$1.5 million (NIS4 million) to support the development of the technology. The liability is repaid in the form of a royalty payment calculated [annually] at 3% of sales of Vayavision products developed using the funds provided by the IIA. The government grant liability bears an annual interest rate based on SOFR as published by the Bank of Israel.

After initial recognition, the liabilities are measured at amortized cost using the effective interest method. The effective interest rate is 30.3%.

Assumptions underlying grant repayments are reviewed at least annually. As at September 30, 2024, the Company revised the estimated repayment schedule, taking into account updated assumptions and data. This resulted in an accretion gain of \$252,874 (2022 – accretion gain of \$74,335), which was included in Financial costs, net (Note 24).

As at September 30, 2024, the Company also has a government grant liability of \$567,922 (US\$420,715) related to the repayment of a grant received by Vayavision from Israel-United States Binational Industrial Research and Development (“BIRD”) Foundation to support the development of the technology with a partner (\$568,807 or US\$420,715 as at September 30, 2023). The total amount received by Vayavision is repayable through royalties of 5% of sales of Vayavision products developed through the funds provided by BIRD, adjusted for certain index, and it is non-interest bearing. Obligations under the grant agreement with BIRD are jointly and severally assumed by Vayavision and its partner in the development project.

As a result of a default event occurred during the first quarter of 2023, the Company reclassified, as of December 31, 2022, the BIRD government grant liability as a short-term liability since the Company is now considering the amounts received as refundable grant are due within the next twelve months.

	<u>\$</u>
<b>Balance, as at September 30, 2023</b>	<b>1,468,296</b>
Accretion interest expense	271,088
Gain on remeasurement due to change in forecast	(86,305)
Foreign exchange gain	<u>(34,736)</u>
<b>Balance, as at September 30, 2024</b>	<b><u>1,618,343</u></b>
Current	829,216
Non-current	<u>789,127</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**18. Capital stock**

The Company is authorized to issue an unlimited number of common shares, without par value, an unlimited number of Class A Non-Voting Special Shares, Class B Non-Voting Special Shares, Class C Non-Voting Special Shares, Class D Non-Voting Special Shares, Class E Non-Voting Special Shares and Class F Non-Voting Special Shares and an unlimited number of preferred shares issuable in series.

Following the consummation of the Business Combination, there were approximately (i) 28,770,930 Common Shares outstanding; (ii) 2,031,250 Class A Non-Voting Special Shares outstanding, (iii) 999,963 Class B Non-Voting Special Shares outstanding, (iv) 999,963 Class C Non-Voting Special Shares outstanding, (v) 999,963 Class D Non-Voting Special Shares outstanding, (vi) 999,963 Class E Non-Voting Special Shares outstanding, (vii) 999,963 Class F Non-Voting Special Shares outstanding, and (viii) no preferred shares outstanding.

*Common shares*

	<u>Number of Shares</u>	<u>Amount \$</u>
<b>Balance, as at September 30, 2023</b>	<b>167,610</b>	<b>9,894,326</b>
Issuance of common shares upon exercise of the call option	66,550	57,724
Class A, B, C, D-1 and D-2 preferred shares exchange for common shares	239,766,119	444,410,959
Common shares converted per business combination	(240,000,279)	(454,361,009)
Issuance of new common shares per business combination	20,000,000	454,361,009
Issuance to Prospector shareholders (Note 4)	8,770,930	55,257,187
Issuance of common shares	<u>1,432,746</u>	<u>3,453,569</u>
<b>Balance, as at September 30, 2024</b>	<b><u>30,203,676</u></b>	<b><u>513,073,765</u></b>

*Issuance of common shares*

During the year ended September 30, 2024, 682,685 Common Shares were issued following the exercise of warrants (Note 15), the exercise of RSU (Note 19), in connection with the BCA (Note 19) and in connection with the Standby Equity Purchase Agreement.

*Standby Equity Purchase Agreement*

On April 8, 2024, the Company entered into a Standby Equity Purchase Agreement (the “SEPA”) with YA II PN, Ltd. (“Yorkville”) for a period of 3 years, or on the date on which the Investor shall have made payment pursuant to the Commitment Amount. Pursuant to the SEPA, assuming satisfaction of certain conditions and subject to the limitations set forth in the SEPA, the Company will have the right from time to time, but not the obligation, to issue and sell to Yorkville up to \$50.0M (the “Commitment Amount”) of its common shares. The Company may also require Yorkville to purchase Common share under the SEPA up to 500,000 Shares of Common Stock. The Company also agreed to pay Yorkville a commitment fee equal to 0.75% of the Commitment Amount.

**18. Capital stock (continued)**

Standby Equity Purchase Agreement (continued)

During the three months ended June 30, 2024, 166,696 common shares were issued to cover the commitment fee.

Exercise of call option

As of November 1, 2023, the Company exercised its call option to acquire its remaining participation in Vayavision. Per the original Share Purchase Agreement (“SPA”) conditions, the purchase of the Vayavision of Common shares was paid in exchange of Common Shares of the Company, based on a determined ratio and already detailed in the SPA.

This transaction resulted in an increase in the Company’s interest in Vayavision from 60.0% to 100.0% and was accounted for as an equity transaction. The purchase price of \$57,724 was equity-settled. As a result, the carrying value of (i) non-controlling interests of \$9,508,328 and (ii) the related other component of equity of \$2,431,688 were reversed leading to a reduction of deficit of \$7,134,364.

Special Shares

Upon close of the acquisition of Prospector, the Company issued through the Transactions, 2,031,250 Class A Non-Voting Special Shares having a value of \$10,115,625 to Prospector Sponsor in connection with the BCA and plan of arrangement (Note 4).

The Class A Non-Voting Special Shares will vest and convert into common shares, in equal thirds upon the volume weighted average price of the common shares exceeding US\$12.00, US\$14.00 and US\$16.00, respectively, for any 20 trading days within any consecutive 30 trading day period commencing at least 150 days following the closing.

On December 21, 2023, LeddarTech shareholders were issued 4,999,815 Earnout Non-Voting Special Shares of an aggregate fair value of \$22,960,000 consisting of the following:

- 999,963 Class B Non-Voting Special Shares all of which shall automatically convert to an equal number of Common Shares if (y) on any twenty (20) Trading Days within any thirty (30) consecutive Trading Day period commencing at least one hundred and fifty (150) days following the Closing Date, the Common Shares achieve a VWAP of greater than \$12.00; or (z) there occurs any Change of Control Transaction with a valuation of the Common Shares that is greater than \$12.00 per Common Share;
- 999,963 Class C Non-Voting Special Shares all of which shall automatically convert to an equal number of Common Shares if (y) on any twenty (20) Trading Days within any thirty (30) consecutive Trading Day period commencing at least one hundred and fifty (150) days following the Closing Date, the Common Shares achieve a VWAP of greater than \$14.00 or (z) there occurs any Change of Control Transaction with a valuation of the Common Shares that is greater than \$14.00 per Common Share;

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**18. Capital stock (continued)**

Special Shares (continued)

- 999,963 Class D Non-Voting Special Shares all of which shall automatically convert to an equal number of Common Shares if (y) on any twenty (20) Trading Days within any thirty (30) consecutive Trading Day period commencing at least one hundred and fifty (150) days following the Closing Date, the Common Shares achieve a VWAP of greater than \$16.00 or (z) there occurs any Change of Control Transaction with a valuation of the Common Shares that is greater than \$16.00 per Common Share;
- 999,963 Class E Non-Voting Special Shares all of which shall automatically convert to an equal number of Common Shares if (y) the Company enters into its first customer contract with an OEM (or with a Tier-1 who has a contract with an OEM and meets the same conditions) that represents a design win for the Company for an OEM series production vehicle that will create at least 150,000 units a year in volume for its fusion and perception products or (z) there occurs any Change of Control Transaction with a valuation of the Common Shares that is greater than \$10.00 per Common Share; and
- 999,963 Class F Non-Voting Special Shares all of which shall automatically convert to an equal number of Common Shares if (y) the Company (i) sends out its first undisputed invoice for payment for product delivery for OEM installation against a contract with an OEM (or with a Tier-1 who has a contract with an OEM) needing in excess of 150,000 units a year in volume for its fusion and perception products and (ii) appropriately books that invoice as revenue in accordance with IFRS requirements or (z) there occurs any Change of Control Transaction with a valuation of the Common Shares that is greater than \$10.00 per Common Share.

The Earnout Non-Voting Special Shares are valued at per share amounts ranging from \$3.78 (US\$2.84) to \$5.22 (US\$3.93) based on option pricing models that considers the vesting terms of the instruments issued and the following weighted average assumptions:

Fair value of the underlying share	<b>US\$4.74</b>
Exercise price	—
Risk-free interest rate	<b>3.23%</b>
Expected volatility	<b>60%</b>
Expected life	<b>7.00 years</b>
Dividend yield	<b>0%</b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**18. Capital stock (continued)**

As at September 30, 2024, the following shares were issued and outstanding:

	<u>Number of Shares</u>	<u>Amount \$</u>
Common shares	30,203,676	513,073,764
Class A Non-Voting Special Shares	2,031,250	10,115,625
Class B Non-Voting Special Shares	999,963	5,220,000
Class C Non-Voting Special Shares	999,963	4,970,000
Class D Non-Voting Special Shares	999,963	4,740,000
Class E Non-Voting Special Shares	999,963	4,250,000
Class F Non-Voting Special Shares	999,963	3,780,000
	<u>37,234,741</u>	<u>546,149,389</u>

**19. Stock-based compensation**

M-option

Preceding closing of the acquisition of Prospector (Note 4), pursuant to the Plan of Arrangement, each of 12,577 M-Options have been exchanged for an option to purchase one common shares of the Company.

The replacement options have an exercise price of \$0.01. The M-option redemption feature was not carried to the replacement option and as a result, the replacement options are classified as equity.

Upon replacement of the award, the fair value of the option of \$117,246 was recognized in reserve – stock option and the redeemable stock option liability of \$6,102,496 was reversed, resulting in a gain on modification of stock options of \$5,985,250 in the consolidated statement of loss.

Stock-based compensation related to the BCA

On May 1st, 2023, the Company entered into an agreement with a service provider regarding the BCA described in note 4. The agreement implies, upon the completion of the BCA, a transaction fee payable in exchange of a number of common shares of the Company equivalent to US\$700,000. During the first quarter of 2024, a portion (\$506,774) of the transaction fee was recognized as transaction costs in the Consolidated statement of loss, with a counterparty in Other components of equity.

During the year ended September 30, 2024, 198,684 common shares were issued in conjunction with this agreement to settle a transaction fee payable. As a result, an amount of \$615,057 was reclassified from Other components of equity to Capital Stock and an amount of \$329,217 was reclassified from Other components of equity to contributed surplus.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**19. Stock-based compensation (continued)**

Equity Incentive Plan

Immediately prior to the acquisition of Prospector, the Company adopted an Equity Incentive Plan (the “Plan”) for certain qualified directors, executive officers, employees and consultants. This Plan continues in full force and effect as the Company equity incentive plan following the Company Amalgamation. The number of shares available for issuance under the Plan shall not exceed at any time 5,000,000 shares.

The Plan provide for the grant of unvested Company Common Shares, (i) share options (“options”), (ii) restricted share units (“RSUs”), (iii) deferred share units (“DSUs”) and (iv) performance share units (“PSUs”). Various vesting conditions may apply to each award and may include continued service, performance and/or other conditions.

Following the adoption of the new equity incentive and the grants of the first awards of this Plan, the Company closed off the reserve stock option balance related to the previous equity incentive plan, in the deficit.

(i) Options

The Company has a stock option plan as part of the incentive plan in which options to purchase common shares are issued to officers and key employees. Under this plan the options will vest between the grant date and March 2028.

Options are expensed over the vesting period. The related compensation expense is included in the stock-based compensation expense.

For the year ended September 30, 2024, movements in outstanding options were as follow:

	<u>Number of stock options</u>	<u>Exercise price<sup>(1)</sup></u> <u>\$</u>
<b>Balance, as at September 30, 2023</b>	—	—
Granted	<b>1,438,600</b>	<b>2,84</b>
<b>Balance, as at September 30, 2024</b>	<b>1,438,600</b>	<b>2,84</b>

<sup>(1)</sup> Weighted average exercise price

The compensation expense with respect to the Options plan amount to \$1,723,475.

(ii) RSUs

The Company has an RSU as part of the incentive plan for management and key employees. Under this plan, RSUs will vest between the grant date and March 2028 to employees who are still employed by the Company on the exercise date.

RSUs are expensed on an earned basis. The related compensation expense is included in stock-based compensation expense.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**19. Stock-based compensation (continued)**

(ii) RSUs (continued)

For the year ended September 30, 2024, movements in outstanding RSUs were as follow:

	<b>Year ended September 30, 2024</b>
	Number of units
	<u>          </u>
<b>Balance, as at September 30, 2023</b>	—
Granted	1,820,892
Forfeited	(147,598)
Exercised	(67,125)
<b>Balance, as at September 30, 2024</b>	<u>1,606,169</u>

The compensation expense with respect to the RSU plan amounts to \$2,993,869

During the year ended September 30, 2024, 67,125 RSU were exercised and converted into a corresponding number of common shares.

(iii) PSUs

The Company has a PSU plan as part of the incentive plan for management and key employees. Under this plan, PSUs generally vest over a period of four years to employee who are still employed by the Company on the exercise date.

PSUs are expensed on an earned basis. The related compensation expense is included in stock-based compensation expense.

For the year ended September 30, 2024, movements in outstanding PSUs were as follow:

	<b>Year ended September 30, 2024</b>
	Number of units
	<u>          </u>
<b>Balance, as at September 30, 2023</b>	—
Granted	733,080
<b>Balance, as at September 30, 2024</b>	<u>733,080</u>

The compensation expense with respect to the PSU plan amounts to \$1,290,763

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**19. Stock-based compensation (continued)**

(iv) Warrants

The Company has a Warrants plan as part of the incentive plan for management and key employees. Under this plan, Warrant generally vests immediately to the directors who are still employed by the Company on the exercise date.

Warrants are expensed on an earned basis. The related compensation expense is included in stock-based compensation expense.

For the year ended September 30, 2024, movements in outstanding Warrants were as follow:

	<b>Year ended September 30, 2024</b>
	Number of units
<b>Balance, as at September 30, 2023</b>	<u>—</u>
Granted	<u>449,013</u>
<b>Balance, as at September 30, 2024</b>	<u><b>443,013</b></u>

The compensation expense with respect to the Warrants plan amounts to \$2,011,408

(v) Total stock-based compensation expense

The total stock-based compensation expense has been included in the consolidated statement of loss as indicated in the following table:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Stock options	1,723,475	—	—
Restricted share units (RSUs)	2,993,869	—	—
Performance share units (PSUs)	1,290,763	—	—
Warrants	2,011,408	—	—
Gain on modification of stock options	(5,985,250)	—	—
ESOP, equity-settled	—	2,474,955	3,223,540
Vayavision call option, equity-settled	—	603,051	1,693,517
Reserve stock options movement	<u>2,034,265</u>	<u>3,078,006</u>	<u>4,917,057</u>
M-Options, cash settled	—	—	(317,663)
Capitalized as development costs	<u>(318,753)</u>	<u>(641,032)</u>	<u>(326,721)</u>
<b>Total stock-based compensation expenses</b>	<u><b>1,715,512</b></u>	<u><b>2,436,974</b></u>	<u><b>4,272,673</b></u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**20. Operating expenses**

Operating expenses by nature include the following:

	<b>Years ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
		<i>(Recasted- Note 7)</i>	<i>(Recasted- Note 7)</i>
Employee benefit expenses	<b>16,222,815</b>	21,663,997	30,088,677
Stock-based compensation	<b>1,715,512</b>	2,436,974	4,272,673
Research costs	<b>2,201,697</b>	3,313,386	1,985,042
Impairment loss related to intangible assets	<b>69,315,247</b>	—	38,207,503
Marketing expenses	<b>684,547</b>	917,970	917,223
Selling expenses	<b>32,740</b>	62,965	299,382
Depreciation of property and equipment	<b>512,275</b>	1,059,769	1,291,048
Product line management expenses	<b>11,418</b>	3,919	47,965
Recruitment fees	<b>152,489</b>	377,679	780,126
Professional fees	<b>5,415,402</b>	6,763,019	3,852,140
Other expenses	<b>2,267,706</b>	2,010,929	1,176,515
Subcontractor services	<b>2,220,592</b>	1,331,573	1,980,500
Travel expenses	<b>494,763</b>	754,869	470,494
Amortization of intangible assets	<b>257,932</b>	286,494	257,064
Insurance	<b>1,453,193</b>	373,251	373,311
Research and development tax credits	<b>(176,856)</b>	(225,609)	(70,191)
Depreciation expense on right of use assets	<b>478,460</b>	508,556	547,658
Business acquisition costs	<b>2,407,977</b>	3,506,630	—
Listing expense	<b>59,139,572</b>	—	—
	<b><u>164,807,481</u></b>	<b><u>45,146,371</u></b>	<b><u>86,477,130</u></b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**21. Loss per share**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of common shares outstanding.

The following table reflects the calculation of net loss attributable to equity holders of the parent and the computation of basic and diluted loss per share for the periods indicated:

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	\$	\$	\$
		<i>(Recasted- Note 7)</i>	<i>(Recasted- Note 7)</i>
Loss from continuing operations attributable to equity holders of the parent	<b>(167,016,426)</b>	(40,409,465)	(71,320,063)
Gain (Loss) from discontinuing operations attributable to equity holders of the parent	<b>1,123,039</b>	(7,582,632)	2,001,215
Loss attributable to equity holders of the parent	<b>(165,893,387)</b>	(47,992,097)	(69,318,848)
Weighted average number of common shares basic and diluted	<b>22,774,782</b>	167,610	134,913
Basic and diluted loss from continuing operations, per common share	<b>(7.33)</b>	(241.09)	(528.64)
Basic and diluted loss from discontinuing operations, per common share	<b>0.05</b>	(45.24)	14.83
Basic and diluted loss per common share	<b>(7.28)</b>	(286.33)	(513.80)

The effect of dilution from outstanding stock options, convertible preferred stocks, credit facility, convertible loans, warrants, put and call options and contingent consideration payable were excluded from the calculation of the weighted average number of common shares for diluted loss per common share for the years ended September 30, 2024, 2023 and 2022 as they are antidilutive.

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
Outstanding employee stock option	<b>1,438,000</b>	441,662	1,710,022
Convertible preferred stock	<b>7,031,065</b>	6,581,392	5,976,388
Warrants	<b>13,890</b>	13,890	13,890
Put and call options recognized as other component of equity	-	94,931	94,931
Conversion options	<b>4,400,106</b>	2,200,053	-

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**21. Loss per share (Continued)**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of common shares outstanding.

The potential effect of dilution from outstanding stock options, convertible preferred stocks, warrants, and put and call options were excluded from the calculation of the diluted loss per common share since the Company incurred losses and the inclusion of these instruments would have an antidilutive effect.

**22. Additional information included in the consolidated statement of cash flows**

Changes in non-cash working capital items:

	<b>As at September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivable and other receivables	<b>2,200,073</b>	96,806	(2,219,607)
Government assistance and R&D tax credits receivable	<b>(283,771)</b>	(205,042)	553,097
Inventories	<b>(298,722)</b>	(609,663)	(541,093)
Prepaid expenses	<b>(219,276)</b>	(273,497)	95,795
Prepaid financing fees	<b>(55,014)</b>	—	—
Accounts payable and accrued liabilities	<b>(11,454,393)</b>	2,534,308	1,720,000
Provisions	<b>(878,144)</b>	878,144	—
	<b>(10,989,247)</b>	2,421,056	(391,808)

**LeeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**23. Government grants**

	<b>Year ended September 30, 2024</b>		
Grant recognized in statement of loss \$	Grant recorded against carrying amount of intangible assets (Note 12) \$	Total grant \$	
Other grants	90,065	13,713	103,778
<b>Total grants</b>	<b>90,065</b>	<b>13,713</b>	<b>103,778</b>
R&D tax credit	—	346,580	346,580
<b>Total grants and R&amp;D tax credits</b>	<b>90,065</b>	<b>360,293</b>	<b>450,358</b>

	<b>Year ended September 30, 2023</b>		
Grant recognized in statement of loss \$	Grant recorded against carrying amount of intangible assets (Note 12) \$	Total grant \$	
Other grants	377,080	268,460	645,540
<b>Total grants</b>	<b>377,080</b>	<b>268,460</b>	<b>645,540</b>
R&D tax credit	225,609	256,234	481,843
<b>Total grants and credits</b>	<b>602,689</b>	<b>524,694</b>	<b>13</b>

	<b>Year ended September 30, 2022</b>		
Grant recognized in statement of loss \$	Grant recorded against carrying amount of intangible assets (Note 12) \$	Total grant \$	
Canada Emergency Wage Subsidy	83,735	33,684	117,419
Other grants	351,713	917,104	1,268,817
<b>Total grants</b>	<b>435,448</b>	<b>950,788</b>	<b>1,386,236</b>
R&D tax credit	70,191	776,050	846,241
<b>Total grants and R&amp;D tax credits</b>	<b>505,639</b>	<b>1,726,838</b>	<b>2,232,477</b>

**23. Government grants (continued)**

The R&D tax credit is recognized as a reduction of research and development costs in the consolidated statements of loss and comprehensive loss.

The amounts recorded in reduction of property and equipment and intangible assets were \$Nil and \$13,713 respectively (\$Nil and \$524,694 in 2023, respectively).

Within Canada, the Company participated in the Canada Emergency Wage Subsidy (“CEWS”), a grant measure of the Canadian government as a response to the COVID-19 pandemic. CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis.

Within Canada, the Company participated in the Industrial Research Assistance Program (“IRAP”) with the National Research Council of Canada. IRAP provides fundings for eligible projects to companies, to increase their innovation capacity and take ideas to market.

Within Israel, the Company participated in the Israeli National Authority for Technological Innovation (“IIA”). IIA provides fundings for eligible projects to companies, to effectively address the dynamic and changing needs of the local and international innovation ecosystems.

There are no unfulfilled conditions or contingencies attached to the above grants.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**24. Finance costs, net**

	<b>Years ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest expenses (income)</b>			
Interest income	(334,751)	(223,594)	(40,251)
Gain on government grant liability modification	(252,874)	(4,332,173)	—
Gain on other loan settlement	—	(1,605,561)	—
Interest expense on term loan (Note 15)	3,048,079	2,016,587	1,830,360
Interest expense on lease liabilities	300,424	369,872	518,175
Interest expense on credit facility (Note 15)	4,827,753	4,843,390	3,630,814
Interest expense on convertible notes (Note 15)	7,814,330	1,067,932	—
Interest expense on bridge loans	477,776	138,347	—
Interest expense on short term liability	95,381	—	—
Interest expense on other loan (Note 15)	—	160,413	274,263
Accretion and remeasurement of government grant liability (Note 17)	271,088	74,335	(78,567)
Bridge loans issuance cost	—	350,000	—
SEPA commitment fee (Note 18)	512,775	—	—
Capitalized borrowing costs (Note 12) <sup>(1)</sup>	(8,243,627)	(3,898,829)	(6,994,197)
	<b>8,516,354</b>	<b>(1,039,281)</b>	<b>(859,403)</b>
<b>Loss (gain) on revaluation of instruments carried at fair value</b>			
Warrant liability (Note 16)	(1,117,069)	—	—
Bridge loan	1,201,379	—	—
Convertible loans <sup>(2)</sup>	—	—	(6,089,300)
Contingent consideration payable <sup>(4)</sup>	—	—	(1,265,043)
Credit facility	—	—	225,105
Conversion option (Note 15)	(5,637,321)	21,100	—
	<b>(5,553,011)</b>	<b>21,100</b>	<b>(7,129,238)</b>
<b>Other</b>			
Loss (gain) on lease modification (Note 11)	(204,146)	—	—
Non-capitalizable financing costs	255,281	—	—
Modification of convertible loans (Note 15) <sup>(2)</sup>	9,645	—	124,717
Net loss on debt extinguishments <sup>(3)</sup>	—	—	454,092
Loss on exercise of conversion option	366,957	—	—
Bank charges	71,999	64,166	91,840
Foreign exchange loss (gain)	(399,827)	224,057	(2,749,505)
	<b>99,909</b>	<b>288,223</b>	<b>(2,078,856)</b>
<b>Finance costs, net</b>	<b>3,063,252</b>	<b>(729,958)</b>	<b>(10,067,497)</b>

- (1) The capitalization rate used to determine the amount of general borrowing costs eligible for capitalization during the years ended September 30, 2024, 2023 and 2022 was 22.8%, 17% and 16%, respectively.
- (2) On November 1, 2021, the Company amended the convertible loans to increase the discount of the conversion feature to 28% of the Class D-1 preferred shares to be issued. The change in fair value between September 30, 2021, and November 1, 2021, of \$6,089,300 was recognized as a gain on revaluation in the consolidated statements of loss. The Company incurred costs for this modification of \$124,717.
- (3) During the year ended September 30, 2022, the Company recorded a net loss on debt extinguishment of \$454,092. The terms of the term loan were modified to remove the substantive equity conversion feature. The change was considered a fundamental change to the terms of the credit facility and was accounted for as an extinguishment of the existing term loan and recognition of a new loan. The carrying value of the term loan on November 1, 2021, amounting to \$30,000,000 was derecognized and a loss on extinguishment, calculated as the difference between the amount derecognized and the initial measurement of the modified loan recognized at fair value amounting to \$30,000,000, including transaction costs of \$454,092. The new term loan is designated at amortized cost (Note 15).
- (4) On July 6, 2022, all remaining contingent shares were issued (42,594 common shares) to the selling shareholders, for a fair value of \$2,215,739, resulting in a gain on revaluation of \$1,265,043 recorded in Finance Costs, net in the consolidated statements of loss and comprehensive loss.

**LeeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes**

The reconciliation of the income tax provision (recovery) calculated using the combined Canadian federal and provincial statutory income tax rate with the income tax provision (recovery) in the consolidated financial statements is as follows:

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss before income taxes	<b>(166,179,817)</b>	(51,424,409)	(73,418,745)
Income taxes at the Canadian statutory tax rate of 26.50% (26.50% in 2023 and 26,50% in 2022)	<b>(44,037,651)</b>	(13,760,987)	(19,455,967)
<b>Tax effect from:</b>			
Effect of differences in tax rates in other jurisdictions	<b>4,823,250</b>	903,064	659,121
Non-deductible items	<b>621,053</b>	574,922	8,131,886
Listing expense	<b>15,671,987</b>	—	—
Foreign exchange effect of translation of foreign subsidiaries in the functional currency	<b>143,568</b>	—	—
Items recorded in shareholders' equity	<b>(597,512)</b>	—	—
Tax losses and deductible temporary differences for which no deferred income tax assets is recognized	<b>19,505,818</b>	11,436,187	10,696,915
Utilization of previously unrecognized deferred income tax assets	<b>(14,490)</b>	—	—
Adjustment in respect of prior years	<b>3,910,028</b>	846,814	(31,955)
Other	<b>(26,051)</b>	—	—
Income tax expense (recovery)	<b>—</b>	—	—

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes (continued)**

Deferred income tax assets and liabilities on temporary differences and unused tax losses are as follows:

	Balance as at October 1, 2023	Credited (charged) to the statement of loss	Credited (charged) to the shareholders' equity	Balance as at September 30, 2024
	\$	\$	\$	\$
Financing fees	2,124,929	(44,734)	—	2,080,195
Provision and accruals	519,097	202,227	—	721,324
Research and development cost	5,361,039	2,319,700	—	7,680,739
Losses carried forward	55,679,194	9,974,804	—	65,653,998
Convertible loan	12,175	3,117	—	—
Property and equipment	—	1,138,543	—	1,138,543
Lease liabilities	924,944	(384,600)	—	540,344
Government grant liability	152,074	(117,287)	—	34,787
Deferred income grants	120,573	1	—	120,574
<b>Total deferred tax assets</b>	<b>64,894,025</b>	<b>13,091,773</b>	<b>—</b>	<b>77,970,506</b>
Property and equipment	(52,996)	52,996	—	—
Intangible assets	(4,207,715)	4,054,968	—	(152,747)
Right-of-use assets	(745,340)	298,368	—	(446,972)
Convertible loan	—	—	—	—
Debt discount-Grant/warrants	(2,995,821)	2,176,742	435,585	(383,494)
Grant receivable	(23,189)	(837)	—	(24,026)
Conversion option liability	5,592	(182,682)	(1,311,209)	(1,488,299)
<b>Total deferred tax liabilities</b>	<b>(8,019,469)</b>	<b>6,399,555</b>	<b>(875,624)</b>	<b>(2,495,538)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>56,874,556</b>	<b>19,491,328</b>	<b>(597,512)</b>	<b>75,768,373</b>
<b>Unrecognized net deferred tax assets</b>	<b>(56,874,556)</b>	<b>(19,491,328)</b>	<b>597,512</b>	<b>(75,768,373)</b>
<b>Recognized net deferred tax (liabilities)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes (continued)**

	Balance as at October 1, 2022	Credited (charged) to the statement of loss	Credited (charged) to the shareholders' equity	Balance as at September 30, 2023
	\$	\$	\$	\$
Financing fees	1,970,593	154,336	—	2,124,929
Provision and accruals	519,550	(453)	—	519,097
Research and development cost	4,700,695	660,343	—	5,361,039
Losses carried forward	43,648,546	12,030,648	—	55,679,194
Convertible loan	—	12,175	—	12,175
Lease liabilities	1,520,988	(596,044)	—	924,944
Government grant liability	140,547	11,527	—	152,074
Deferred income grants	120,573	—	—	120,573
Other debt discount	420,004	(420,004)	—	-
Total deferred tax assets	<u>53,041,496</u>	<u>11,852,528</u>	<u>—</u>	<u>64,894,025</u>
Property and equipment	(326,154)	273,159	—	(52,996)
Intangible assets	(5,036,692)	828,977	—	(4,207,715)
Right-of-use assets	(1,347,385)	602,045	—	(745,340)
Debt discount-Grant/warrants	(2,309,719)	(686,102)	—	(2,995,821)
Grant receivable	(38,156)	14,967	—	(23,189)
Conversion option liability	—	5,592	—	5,592
Total deferred tax liabilities	<u>(9,058,106)</u>	<u>1,038,637</u>	<u>—</u>	<u>(8,019,469)</u>
Net deferred tax assets (liabilities)	<u>43,983,390</u>	<u>12,891,166</u>	<u>—</u>	<u>56,874,556</u>
Unrecognized net deferred tax assets	<u>(43,983,390)</u>	<u>(12,891,166)</u>	<u>—</u>	<u>(56,874,556)</u>
Recognized net deferred tax (liabilities)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes (continued)**

	Balance as at October 1, 2021	Credited (charged) to the statement of loss	Credited (charged) to the shareholders' equity	Balance as at September 30, 2022
	\$	\$	\$	\$
Financing fees	358,581	(154,408)	1,766,420	1,970,593
Provision and accruals	381,341	138,209	—	519,550
Research and development cost	5,361,422	(660,727)	—	4,700,695
Losses carried forward	31,951,781	11,696,765	—	43,648,546
Convertible loan	7,152,109	(7,152,109)	—	—
Lease liabilities	1,128,610	392,378	—	1,520,988
Government grant liability	96,044	44,503	—	140,547
Deferred income grants	120,573	—	—	120,573
Other debt discount	514,938	(94,934)	—	420,004
Total deferred tax assets	47,065,399	4,209,677	1,766,420	53,041,496
Property and equipment	(251,862)	(74,292)	—	(326,154)
Intangible assets	(11,535,305)	6,498,613	—	(5,036,692)
Right-of-use assets	(1,041,824)	(305,561)	—	(1,347,385)
Debt discount-Grant/warrants	(2,716,353)	406,634	—	(2,309,719)
Grant receivable	—	(38,156)	—	(38,156)
Total deferred tax liabilities	(15,545,344)	6,487,238	—	(9,058,106)
Net deferred tax assets (liabilities)	31,520,055	10,696,915	1,766,420	43,983,390
Unrecognized net deferred tax assets	(31,520,055)	(10,696,915)	(1,766,420)	(43,983,390)
Recognized net deferred tax (liabilities)	—	—	—	—

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes (continued)**

As at September 30, 2024, the year of expiry of operating losses in the consolidated statement of financial position are as follows, presented by tax jurisdiction:

Year of expiry	Canada			
	Federal \$	Quebec \$	USA \$	Israel \$
2027	1,586,446	1,504,740	—	—
2028	1,365,399	1,311,824	—	—
2029	2,303,130	2,280,459	—	—
2030	1,375,780	1,306,718	—	—
2031	3,482,936	3,482,936	—	—
2032	3,266,503	3,275,941	—	—
2033	3,408,474	3,444,648	—	—
2034	885,475	885,963	—	—
2035	—	—	—	—
2036	15,542,450	15,638,499	—	—
2037	22,974,686	22,727,051	—	—
2038	28,727,803	28,444,120	—	—
2039	33,860,655	33,548,568	—	—
2040	29,975,342	29,600,226	—	—
2041	37,595,360	38,085,889	—	—
2042	8,365,418	8,454,445	—	—
2043	14,845	15,617	—	—
2044	26,579,369	26,968,102	—	—
Indefinite	—	—	588,790	43,999,987
	<u>227,831,171</u>	<u>227,458,086</u>	<u>588,790</u>	<u>43,999,987</u>

As at September 30, 2024, deferred income tax assets of \$Nil (2023 - \$4,644,561) is recognized in the consolidated statement of financial position in respect of these operating losses.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**25. Income taxes (continued)**

As at September 30, 2024, the R&D tax credits accumulated, for which no tax credits receivable were recognized, that will be deductible against income taxes payable in the consolidated statement of financial position as well as their respective year of expiry, are as follows:

Years of investment tax credits	Federal \$	Year of expiry
2009	1,562	2025
2009	1,257	2026
2010	18,655	2027
2011	9,843	2028
2012	7,069	2029
2016	9,718	2033
2017	51,182	2035
2017	25,029	2036
2018	480,243	2037
2019	1,134,507	2038
2020	1,389,834	2039
2021	1,243,043	2040
2022	1,359,218	2041
2023	932,549	2042
2023	183,559	2043
2024	747,159	2044
	<b>7,594,427</b>	

In addition, the difference between the carrying value and tax basis of research and development costs amounts to \$26,265,977 at the federal level and \$28,112,808 at the provincial level. These costs can be carried forward indefinitely against future years' taxable income in their respective tax jurisdiction. No deferred income tax assets have been accounted for in connection with these benefits.

As at September 30, 2024, there are no taxable temporary differences associated with investment in a subsidiary. As at September 30, 2023, no deferred tax liability was recognized on the taxable temporary difference of \$2,334,066 in respect of investment in a subsidiary on the basis that management determined that it was not probable that the taxable difference would reverse in a foreseeable future.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**26. Related party transactions**

*Compensation of key management personnel*

The Company's directors and members of the executive committee are the Company's key management personnel. Compensation awarded to key management include the following:

	<b>Years ended September 30,</b>		
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries and short-term employee benefits	<b>2,305,749</b>	1,883,078	2,050,590
Stock-based compensation	<b>5,939,192</b>	850,271	1,134,006
	<b><u>8,244,941</u></b>	<u>2,733,349</u>	<u>3,184,596</u>

*Transactions with related parties*

	<b>Years ended September 30,</b>		
<b>Entity with significant influence over the Company</b>	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Consolidated statement of loss</i>			
<i>Interest on convertible loans</i>	<b>3,023,652</b>	—	—
Loss on exercise of conversion option	<b>366,957</b>	—	—
Gain on revaluation of convertible loans	—	—	(704,912)
	<b><u>—</u></b>	<u>—</u>	<u>(704,912)</u>

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**27. Capital management**

The Company views capital as the sum of credit facility, term loan, bridge loan, convertible notes, redeemable stock options, other loan, government grant liabilities, contingent consideration payable and equity (deficiency) attributable to owners of the capital stock of the parent, net of cash. The Company's objectives, when managing capital, are to safeguard the Company's ability to continue as a going concern, in order to provide an adequate return to shareholders and maintain sufficient level of funds to finance its commercialization activities, research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with intangible assets.

To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or dispose assets, all of which are subject to market conditions and the terms of the underlying third-party agreements. The Company is not subject to any capital requirements imposed by a regulator.

No changes were made to the objectives, policies and processes for managing capital during the years ended September 30, 2024 and 2023. The total capital is calculated as follows:

	<b>As at September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Credit facility	<b>(28,229,902)</b>	(28,747,705)
Term loan	<b>(10,767,007)</b>	(7,718,928)
Bridge loan	<b>(9,913,619)</b>	—
Convertible notes	<b>(40,309,902)</b>	(11,258,950)
Redeemable stock options	—	(6,102,496)
Derivative warrant liability	<b>(629,506)</b>	—
Government grant liabilities	<b>(1,618,343)</b>	(1,468,296)
Less: cash	<b>5,269,084</b>	5,056,040
<b>Net debt</b>	<b>(86,199,195)</b>	(50,240,335)
Equity (deficiency) attributable to owners of the capital stock of the parent	<b>(88,634,694)</b>	7,111,792
	<b>(174,833,889)</b>	(43,128,543)

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**28. Financial instruments**

The classification of financial instruments as well as their carrying amounts are presented in the table below:

	<b>September 30, 2024</b>		
	<b>Amortized cost \$</b>	<b>FVTPL \$</b>	<b>Total \$</b>
<b>Financial assets</b>			
Cash	5,269,084	—	5,269,084
Accounts receivable <sup>(1)</sup>	1,150,946	—	1,150,946
<b>Current financial assets</b>	<b>6,420,030</b>	<b>—</b>	<b>6,420,030</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities <sup>2</sup>	13,412,889	—	13,412,889
Credit facility	28,229,902	—	28,229,902
Convertible bridge loan	—	6,853,623	6,853,623
Non-convertible bridge loan	3,059,996	—	3,059,996
Warrant liability	—	629,506	629,506
Term loan	10,767,007	—	10,767,007
Convertible notes	40,309,902	—	40,309,902
Conversion option	—	6,008	6,008
Government grant liabilities	1,618,343	—	1,618,343
<b>Total</b>	<b>97,398,039</b>	<b>7,489,137</b>	<b>104,887,176</b>
Current	17,302,101	7,489,137	24,791,238
Non-current	80,095,938	—	80,095,938

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**28. Financial instruments (continued)**

	September 30, 2023		
	Amortized cost \$	FVTPL \$	Total \$
<b>Financial assets</b>			
Cash	5,056,040	—	5,056,040
Accounts receivable <sup>(1)</sup>	2,281,915	—	2,281,915
<b>Current financial assets</b>	<u>7,337,955</u>	<u>—</u>	<u>7,337,955</u>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities <sup>2</sup>	12,466,676	—	12,466,676
Credit facility	28,747,705	—	28,747,705
Term loan	7,718,928	—	7,718,928
Convertible notes	11,258,950	—	11,258,950
Conversion option	—	737,974	737,974
Government grant liabilities	1,468,296	—	1,468,296
<b>Total</b>	<u>61,660,555</u>	<u>737,974</u>	<u>62,398,529</u>
Current	13,035,483	737,974	13,773,457
Non-current	48,625,072	—	48,625,072

<sup>1</sup> Excluding commodity taxes receivable, as these amounts do not represent a contractual right to receive cash or another financial asset.

<sup>2</sup> Excluding deferred revenue, as these amounts do not represent a contractual obligation to deliver cash or another financial asset.

Financial risk management

The Company is exposed to various types of risks due to the nature of the business activities it carries on, including those related to the use of financial instruments. The Company does not use financial derivatives to manage those risks.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or can only do so at excessive cost. The Company manages this risk by maintaining detailed cash forecasts and long-term operating and strategic plans. The adequacy of liquidity is assessed in view of operational needs, sales forecasts and maturity of indebtedness. The Company is confident that the future cash flows from operations and financing will allow for the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company also continually monitors any financing opportunities to optimize its capital structure.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**28. Financial instruments (continued)**

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	<b>September 30, 2024</b>			<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	13,412,889	—	—	13,412,889
Credit facility	—	30,000,000	—	30,000,000
Convertible loan	—	64,018,174	—	64,018,174
Term loan	—	19,756,619	2,751,798	22,508,417
Bridge loan	8,443,834	—	—	8,443,834
Government grant liabilities	896,491	1,295,992	—	2,192,483
<b>Total</b>	<b>22,753,214</b>	<b>115,070,785</b>	<b>2,751,798</b>	<b>140,575,797</b>

  

	<b>September 30, 2023</b>			<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	12,466,676	—	—	12,466,676
Redeemable stock options	—	6,102,496	—	6,102,496
Credit facility	4,766,345	38,568,461	—	43,334,806
Convertible loan	—	39,610,854	—	39,610,854
Term loan	—	21,317,876	13,412,208	34,730,084
Government grant liabilities	568,807	1,209,857	—	1,778,664
<b>Total</b>	<b>17,801,828</b>	<b>106,809,544</b>	<b>13,412,208</b>	<b>138,023,580</b>

*Credit risk*

Credit risk is the risk of a financial loss resulting from the counterparty's inability or refusal to fully meet its contractual obligations. The Company's maximum exposure to credit risk is equal to the amounts recorded as cash and trade accounts receivable. Cash is maintained with high-credit quality financial institutions. Management considers the risk of non-performance related to cash to be minimal.

As at September 30, 2024, the balance receivable from one client represents 63% of trade accounts receivable (two clients represented 69% as at September 30, 2023).

An impairment analysis is performed at each reporting date on individual basis for major items. Generally, the Company does not require collateral or other security from customers for trade accounts receivable; credit is extended following an evaluation of creditworthiness.

To manage credit risk, the Company insures 0% as at September 30, 2024 (39% in 2023), of its accounts receivable through Exportation and Development Canada.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**28. Financial instruments (continued)**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company is exposed to future cash flow risk with respect to the floating interest rate on its operating loan and its credit facility. The Company is exposed to change in fair value of financial instruments with fixed interest rates.

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's net loss is affected through the impact on floating rate borrowings, as follows:

	<b>Increase/ decrease in basis points</b>	<b>Effect on loss before income taxes \$</b>
	<u>          </u>	<u>          </u>
Credit facility, convertible notes, term loan and bridge loan	+200	2,398,194
	-200	(2,398,194)
Government grant liability	+200	29,160
	<u>-200</u>	<u>(29,160)</u>

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

*Foreign exchange risk*

Since the Company operates internationally, it is exposed to foreign exchange risk as a result of potential exchange rate fluctuations related to non-intragroup transactions. Fluctuations in the Canadian dollar and the exchange rates could have potentially significant impact on the Company's results of operations.

**LeddarTech Holdings Inc.**  
**Notes to the consolidated financial statements**  
(in Canadian dollars)  
September 30, 2024

**28. Financial instruments (continued)**

If these variations were to occur, the impact of +5% appreciation of the USD, EUR and NIS currencies on the Company's consolidated net loss and deficit for financial instruments held would be an increase (decrease) of net loss and deficit as follows:

	Change in foreign exchange rate	Year ended September 30,	
		2024	2023
USD	+5%	(2,519,428)	592,954
EUR		7,591	(10,296)
NIS		(130,945)	171,980

A 5% weakening of the exchange rate would have had an equal but opposite effect on the amount shown above, assuming that all other variables remain constant.

**29. Commitments**

Other than commitments already disclosed in notes 11 for leases and notes 15 for long-term debt, the Company is committed to minimum amounts under long-term agreements for license and telecommunications and office equipment, which expire at the latest in 2025. The Company has also entered into a development contract.

As at September 30, 2024, minimum commitments remaining under these agreements over the following years are as follows:

	Total \$	2025 \$	2026 \$	2027 \$
Cloud services	946,558	723,571	212,087	10,900
Subcontracting services	698,470	698,470	—	—
License	176,977	166,313	10,664	—
Telecommunications	298,251	155,600	87,630	55,020
	<u>2,120,256</u>	<u>1,743,954</u>	<u>310,381</u>	<u>65,920</u>

**30. Subsequent events**

*Strategic collaboration agreement and a software license agreement*

On December 9, 2024, the Company announced that LeddarTech and Texas Instruments (“TI”) have entered into a strategic collaboration agreement and a software license agreement to enable a comprehensive, integrated platform solution for ADAS an AD markets. Under the license agreement, TI has agreed to make advanced royalty payments to catalyze joint commercialization.

The agreement outlines a total payment of approximately US\$10 million in advance royalties, with the potential for additional royalties over time. An initial payment of US\$5.0 million was received by the Company on December 12, 2024. A subsequent payment of US\$3.0 million USD will follow the completion of the demonstrator, which is planned to debut at the Consumer Electronics Show in Las Vegas next month. The final US\$1.9 million will be contingent upon the execution of a client contract with an original equipment manufacturer (OEM).

The consideration received in advance from TI will be recorded as deferred revenue until the Company fulfills its related obligations.

*Credit Facility and Bridge Financing*

On December 6, 2024, in connection with the collaboration and license agreements with TI and the advanced royalty payments provided thereunder (the “TI Pre-paid Royalty Fee”), LeddarTech entered into:

- a fourteenth amendment of its Credit facility with Desjardins pursuant to which Desjardins has agreed to, among other things: (i) temporarily postpone payment of interest for a certain period of time, and (ii) temporarily suspend the minimum cash covenant until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee.
- a second amendment of the Bridge Financing modifying among other things, the maturity of the bridge loan to December 13, 2024, which date will automatically be extended upon the disbursement by TI to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee, to the earlier of (a) January 31, 2025 and (b) the business day following the Short-Term Outside Date.

Also, on October 15, 2024, the Tranche 2 of the Bridge Financing was issued for an aggregate amount of US\$2.8 million composed of US\$0.9 million in Non-Convertible Bridge Loan and US\$1.9 million in Convertible Bridge Loan.

*Issuance of common shares under the SEPA agreement*

In December 2024, the Company issued 5,490,000 common shares under the SEPA agreement (refer to Note 18), generating net proceeds of US\$9 million.

## LEDDARTECH MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("MD&A") provides information concerning the financial condition and results of operations of LeddarTech Inc. ("LeddarTech" or the "Company") at and for the fiscal years ended September 30, 2024, 2023 and 2022 ("FY2024", "FY2023" and "FY2022", respectively). This MD&A should be read in conjunction with the audited annual consolidated financial statements of the Company for FY2024, FY2023 and FY2022 (restated).

The financial information reported herein have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and is presented in Canadian dollars unless otherwise stated.

All per share amounts reflect amounts per common share and are based on unrounded amounts. Certain figures, such as interest rates and other percentages included in this MD&A, have been rounded for ease of presentation and certain other amounts that appear in this MD&A may similarly not sum due to rounding.

In addition to historical financial information, this MD&A contains forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. Actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements. For more information about forward-looking statements, refer to section entitled "*Cautionary Note Regarding Forward-Looking Statements.*"

The Company presents non-IFRS financial measures to assess operating performance. The Company presents net earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA (loss)") and Adjusted EBITDA (loss). These non-IFRS measures do not have standardized meanings under IFRS and are not likely to be comparable to similarly designated measures reported by other corporations. The reader is cautioned that these measures are being reported in order to complement, and not replace, the analysis of financial results in accordance with IFRS. Management uses both measures that comply with IFRS and non-IFRS measures, in planning, overseeing and assessing the Company's performance.

The terms and definitions associated with non-IFRS financial measures as well as a reconciliation to the most comparable IFRS measures are included in the section entitled "Non-IFRS Financial Measures" in this MD&A.

### **Amendment and Restatement of the audited annual consolidated financial statements**

Subsequent to the issuance of the audited annual consolidated financial statements for FY2022, errors with respect to the recognition of a government grant liability from an Israel-United States Binational Industrial Research and Development ("BIRD") Foundation, the measurement and recognition of research and development costs and other item were identified. Accordingly, the consolidated financial statements for FY2022 were restated to reflect adjustments made as a result of this correction of errors. Refer to note 2 of the audited annual consolidated financial statements of the Company for FY2023 for more details.

### **Company Overview**

LeddarTech was formed in 2007 under the Canada Business Corporations Act (the "CBCA") and is at the forefront of the automotive industry evolution, from driver awareness to active safety and advanced autonomy. Our mission is to deliver high-performance AI automotive software that enables the market to deploy ADAS features reducing the number of road accidents and making transportation more enjoyable and efficient. We pursue our mission by developing innovative artificial intelligence ("AI") based low-level fusion ("LLF") and perception software technology, which closely replicates elements of human perception. We believe that AI-based LLF is the cornerstone of the next generation of automotive advanced driver assistance systems ("ADAS") and autonomous driving ("AD") systems.

On June 12, 2023, LeddarTech Holdings Inc. ("Newco"), a company incorporated under the laws of Canada entered into the Business Combination Agreement, as amended on September 25, 2023 (the "BCA"), by and among

LeddarTech Holdings Inc., Prospector Capital Corp., a Cayman Islands exempted company (“Prospector”), and LeddarTech Inc., a corporation existing under the laws of Canada.

Unless otherwise indicated and unless the context otherwise requires, “LeddarTech” or “the Company”, at all times prior to consummation of the Business Combination, refers to LeddarTech Inc. and its consolidated subsidiaries, and at all times following consummation of the Business Combination, refers to LeddarTech Holdings Inc. and its consolidated subsidiaries.

Refer to the following section entitled “*Business Combination and Public Company Costs*” and to Note 4 of the to the audited annual consolidated financial statements of the Company for FY2024 for more details.

### **Discontinued activities**

In connection with the transition to a “pure play” automotive software business model, in FY2022 we made the strategic decision to discontinue our LiDAR components and our modules businesses. In September 2024, the Company ceased its Modules operations and presented these operations as discontinued operations. The results of operations and cash flows related to these businesses are reclassified as discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows. Refer to Note 7 to the audited annual consolidated financial statements of the Company for FY2024 for more details.

### **Cautionary Note Regarding Forward-Looking Statements**

Some of the statements in this MD&A that do not directly or exclusively relate to historical facts constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Our forward-looking statements include, but are not limited to, statements regarding our or our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not a forward-looking statement. Forward-looking statements in this MD&A and in any document incorporated by reference in this MD&A may include, but are not limited to, statements about:

- our ability to timely access sufficient capital and financing on favorable terms or at all;
- our ability to maintain compliance with our debt covenants, including our ability to enter into any forbearance agreements, waivers or amendments with, or obtain other relief from, our lenders as needed;
- our ability to execute on our business model, achieve design wins and generate meaningful revenue;
- our ability to successfully commercialize our product offering at scale, whether through the collaboration agreement with Texas Instruments, a collaboration with a Tier 2 supplier or otherwise;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, projects, prospects and plans;
- changes in general economic and/or industry-specific conditions;
- our ability to retain, attract and hire key personnel;
- potential adverse changes to relationships with our customers, employees, suppliers or other parties (ix) legislative, regulatory and economic developments;

- the outcome of any known and unknown litigation and regulatory proceedings; and
- other risk factors as detailed from time to time in the Company’s reports filed with the U.S. Securities and Exchange Commission (the “SEC”).
- the outcome of any known and unknown litigation and regulatory proceedings.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements contained in this MD&A, or the documents incorporated by reference in this MD&A, to reflect any change in our expectations with respect to such statements or any change in events, conditions or circumstances upon which any such statement is based.

### **Business Combination and Public Company Costs**

On December 21, 2023 (the “Closing Date”), as contemplated in the BCA, Prospector, LeddarTech and Newco completed a series of transactions:

- Prospector continued as a corporation existing under the laws of Canada (the “Continuance” and Prospector as so continued, “Prospector Canada”);
- Prospector Canada and Newco amalgamated (the “Prospector Amalgamation” and Prospector Canada and Newco as so amalgamated, “Amalco”);
- the preferred shares of LeddarTech converted into common shares of LeddarTech and, on the terms and subject to the conditions set forth in a plan of arrangement (the “Plan of Arrangement”), Amalco acquired all of the issued and outstanding common shares of LeddarTech from LeddarTech’s shareholders in exchange for common shares of Amalco having a negotiated aggregate equity value of \$200 million (valued at \$10.00 per share) plus an amount equal to the aggregate exercise price of LeddarTech’s outstanding “in the money” options immediately prior to the Prospector Amalgamation (the “Share Exchange”) plus additional Amalco “earnout” shares (with the terms set forth in the BCA);
- LeddarTech and Amalco amalgamated (the “Company Amalgamation” and LeddarTech and Amalco as so amalgamated, the “Company”); and
- in connection with the Company Amalgamation, the securities of Amalco converted into an equivalent number of corresponding securities in the Company (other than as described in the BCA with respect to the Prospector Class B ordinary shares) and each of LeddarTech’s equity awards (other than options to purchase LeddarTech’s class M shares) were cancelled for no compensation or consideration and LeddarTech’s equity plans were terminated (and the options to purchase LeddarTech’s class M shares became options to purchase common shares of the Company (the “Company Common Shares” or the “Common Shares”)).

The Continuance, the Prospector Amalgamation, the Share Exchange, the Company Amalgamation and the other transactions contemplated by the BCA are hereinafter referred to as the “Business Combination”.

On June 12, 2023, concurrently with the execution of the BCA, LeddarTech entered into a subscription agreement (the “Subscription Agreement”) with certain investors, including investors who subsequently joined the Subscription Agreement (the “PIPE Investors”), pursuant to which the PIPE Investors agreed to purchase secured convertible notes of LeddarTech (the “PIPE Convertible Notes”) in an aggregate principal amount of approximately US\$44.0 million (the “PIPE Financing”). PIPE Investors in certain tranches of the PIPE Convertible Notes received at the time of

issuance of such notes warrants to acquire Class D-1 preferred shares of LeddarTech (the “Class D-1 Preferred Shares” and the warrants, the “PIPE Warrants”). All of the PIPE Warrants were exercised, and the Class D-1 Preferred Shares issued upon exercise of the PIPE Warrants entitled the PIPE Investors to receive approximately 8,553,434 Common Shares upon the closing of the Business Combination. Accordingly, the PIPE Investors held approximately 42.8% of the 20 million LeddarTech common shares outstanding immediately prior to the Closing. The PIPE Convertible Notes are convertible into the number of Common Shares determined by dividing the then-outstanding principal amount by the conversion price of US\$10.00 per Common Share. The PIPE Financing closed on the Closing Date after the Business Combination.

Prior to the Closing Date, holders of an aggregate of 855,440 Prospector Class A ordinary shares, par value \$0.0001 per share (the “Prospector Class A Shares”) representing approximately 39% of the total Prospector Class A Shares then outstanding, exercised their right to redeem those shares for approximately \$10.93 per share, or a total of approximately \$9.3 million paid from Prospector’s trust account (the “SPAC Redemption”) in accordance with the terms of Prospector’s amended and restated memorandum and articles of association, as amended.

Following the SPAC Redemption, and as part of a series of related steps in connection with the consummation of the Business Combination, Prospector distributed 1,338,616 Prospector Class A Shares to the holders on the Closing Date of the 1,338,616 Prospector Class A Shares that were not redeemed in connection with the Business Combination. Such distribution was not made with respect to any other Prospector or LeddarTech shares issued and outstanding prior to or upon consummation of the Business Combination.

On the Closing Date, the following securities issuances were made by the Company to Prospector’s securityholders following the SPAC Redemption and in connection with the above-referenced share distribution: (i) each outstanding Prospector Class A Share was exchanged for one Company Common Share, (ii) each outstanding non-voting special share of Prospector, a new class of shares in the capital of Prospector convertible into Prospector Class A Shares, was exchanged for one non-voting special share of the Company and (iii) each outstanding warrant of Prospector (the “Prospector Warrants”), which includes 965,749 Prospector Warrants that were issued upon conversion of the amount accrued under Prospector’s convertible note with the Sponsor to finance Prospector’s transaction costs in connection with its initial business combination, was assumed by the Company and became a warrant of the Company (“Company Warrant” or “Warrant”).

On the Closing Date, following the SPAC Redemption and the foregoing issuances, LeddarTech’s shareholders immediately prior to the consummation of the Business Combination, including investors in the PIPE Financing, received Company Common Shares pursuant to the BCA representing approximately 69.5% of the Company Common Shares outstanding immediately following consummation of the Business Combination.

On December 22, 2023, the Common Shares and Warrants became listed on The Nasdaq Global Market (“Nasdaq”) under the symbols “LDTC” and “LDTCW”, respectively. As a consequence of the Business Combination, the Company has become an SEC-registered company listed on Nasdaq, which has required the Company to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. The Company expects to incur additional significant annual expenses as a public company.

### **Accounting Treatment**

The Business Combination was accounted for as a reverse asset acquisition in accordance with IFRS since Prospector does not meet the definition of a business in accordance with IFRS 3. Consequently, the Business Combination was accounted for under IFRS 2 as it relates to the stock exchange listing service received and under other relevant IFRS standards for cash and other assets acquired. Under this method of accounting, Prospector was treated as the “acquiree” for accounting purposes, the net assets of Prospector are recognized at their fair value, and no goodwill or other intangible assets are recorded. In accordance with IFRS 2, the difference between the fair value of the consideration paid (i.e., the Surviving Company Common Shares and Surviving Company Class A Non-Voting Special Shares issued to Prospector shareholders) over the fair value of the identifiable net assets of Prospector was represented a service for the listing of the Surviving Company and was recognized as an expense.

LeddarTech has been determined to be the accounting acquirer based on an evaluation of the following facts and circumstances, and accordingly the Business Combination is treated as an acquisition of the listing service and assets of Prospector.

- LeddarTech's shareholders prior to consummation of the Business Combination have the greatest voting interest in the Surviving Company with an approximately 69.5% voting interest;
- The largest individual minority shareholder of the Surviving Company was a shareholder of LeddarTech prior to consummation of the Business Combination;
- Senior management of the Surviving Company is composed of a majority of senior management of LeddarTech prior to consummation of the Business Combination;
- Directors of LeddarTech prior to consummation of the Business Combination form a majority on the board of directors of the Surviving Company;
- LeddarTech is the larger entity based on historical total assets and revenues; and
- LeddarTech's operations comprise the ongoing operations of the Surviving Company.

### **Basis of presentation**

LeddarTech acquired a 60% interest in VayaVision in July 2020. VayaVision's assets, liabilities and results of operations are reflected in LeddarTech's consolidated financial statements, with the non-controlling interests' share of net assets and results of operations reflected on LeddarTech's consolidated statement of financial position and consolidated statement of loss and comprehensive loss. In order to satisfy a condition to closing of the Business Combination that LeddarTech purchase the remaining 40% interest in VayaVision, and in accordance with the terms of the option agreement entered into by LeddarTech and the VayaVision shareholders at the date of acquisition, LeddarTech exercised its contractual right to purchase the remaining 40% interest in VayaVision on November 1, 2023. The consideration paid by LeddarTech was \$57,724, consisted of 66,550 Company Common Shares, after payment of the applicable withholding tax, which will entitle the shareholders to receive 5,548 Surviving Company Common Shares. The founding shareholders from whom LeddarTech purchased the majority of the remaining shares in VayaVision demanded that LeddarTech provide a tax indemnity as a condition to the purchase. LeddarTech believes the demand for a tax indemnity is without merit based on the terms and conditions of the option agreement, and at LeddarTech's request the share transfer was recorded in VayaVision's share registry and the Israeli Registrar of Companies. LeddarTech believes that, if the founding shareholders were to pursue a claim, it would not have a material adverse effect on the Surviving Company's business, financial condition or results of operation. Following acquisition of the remaining 40% interest in VayaVision, none of VayaVision's assets or results of operations from the date of acquisition will be allocated to non-controlling interest.

### **Recent Developments**

#### ***Strategic Collaboration Agreement and a Software License Agreement***

On December 9, 2024, we announced that LeddarTech and Texas Instruments ("TI") have entered into a strategic collaboration agreement and a software license agreement to enable a comprehensive, integrated platform solution for ADAS and AD markets. Under the license agreement, the Company will receive a total payment of approximately US\$10.0 million in advance royalties, with the potential for additional royalties over time. An initial payment of US\$5.0 million has been received by the Company. A subsequent payment of US\$3.0 million will follow the completion of the demonstrator, which is planned to debut at the Consumer Electronics Show in Las Vegas next month and the final US\$1.9 million will be contingent upon the execution of a client contract with an original equipment manufacturer (OEM).

### ***Issuance of Common Shares Under the SEPA Agreement***

In December 2024, the Company issued 5,940,000 common shares under the SEPA agreement, generating net proceeds of US\$9.0 million. For more details, refer to caption “*Standby Equity Purchase Agreement*” of the section entitled “*Financing Transactions*” of this MD&A.

### ***Bridge Financing***

On August 16, 2024, the Company also entered into an agreement in principle with several of its principal shareholders and its principal lender pursuant to which such parties agreed to fund the Company with an aggregate of US\$9.0 million in bridge debt financing in order to meet the Company’s near-term obligations (the “Bridge Financing”) while the Company continued to progress its discussions, including with certain potential strategic investors, to secure US\$35.0 million or more in additional equity capital (the “Equity Financing”). On December 6, 2024, a second amendment was made to the Bridge Financing modifying among other things, the maturity of the bridge loan from November 15, 2024 to December 13, 2024, which date was automatically extended upon the disbursement by TI to LeddarTech of the full first installment of the TI Pre-paid Royalty Fee, to the earlier of (a) January 31, 2025 and (b) the business day following the Short-Term Outside Date.

In connection with the Bridge Financing, one of our existing investors converted US\$1.5 million of its existing convertible notes into common shares in the capital of the Company at an above-market conversion price of US\$2.00 per share, reducing the convertible note balance by US\$1.5 million. The Company also received additional Bridge Loans in an aggregate amount of approximately US\$0.3 million from certain members of management and the board of directors (collectively, the “Additional Bridge Lenders” and, together with the Initial Bridge Lenders, the “Bridge Lenders”) in accordance with the terms of the Bridge Financing.

For more details, refer to caption “*Bridge Financing*” of the section entitled “*Financing Transactions*” of this MD&A.

### ***Desjardins Credit Facility***

In order to allow sufficient time to finalize the definitive documents in connection with the Bridge Financing described above, the Company also has entered into a series of amendments with Fédération des caisses Desjardins du Québec (“Desjardins”) with respect to the Amended and Restated Financing Offer dated as of April 5, 2023 (as amended, the “Desjardins Credit Facility”). Pursuant to previous amendments to the Desjardins Credit Facility, the Company and Desjardins had temporarily reduced the Company’s obligation to maintain an unencumbered cash balance (the “Minimum Cash Covenant”) from \$5.0 million to the current requirement of \$250,000 through August 14, 2024. Pursuant to the Fourteenth Amendment, Desjardins had temporarily suspended the minimum cash covenant until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee. After this date, the Company will be required to maintain a minimum cash balance of \$1.0 million until the earlier of (a) the Short-Term Outside Date, and (b) January 31, 2025, and a minimum cash balance of \$5 million at all times after such date. For more details, refer to caption “*Amendments to the Desjardins Credit Facility*” of the section entitled “*Financing Transactions*” of this MD&A.

## Financial Highlights

	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>
<b><u>Continuing operations</u></b>			
<b>Revenues</b>	477,812	197,556	633,850
<b>Gross profit (loss)</b>	477,812	197,556	554,225
<b>Loss from operations</b>	(164,329,669)	(44,948,815)	(85,922,905)
Finance costs, net	3,063,252	(729,958)	(10,067,497)
Loss before income taxes	(167,302,856)	(43,841,777)	(75,419,960)
<b>Net loss and comprehensive loss</b>	(167,318,738)	(43,841,777)	(75,419,960)
<b>Net loss and comprehensive loss attributable to Shareholders of the Company</b>	(167,016,426)	(40,409,465)	(71,320,063)
<b>Loss per share</b>			
Net loss per share (basic and diluted) (in dollars)	(7.33)	(241.09)	(528.64)
Weighted average shares outstanding (basic and diluted) (in thousands of shares)	22,774,782	167,610	134,913
<b>EBITDA (loss)<sup>(1)</sup></b>	(157,229,931)	(42,738,031)	(73,962,491)
<b>Adjusted EBITDA (loss)<sup>(1)</sup></b>	(30,395,262)	(34,815,026)	(41,361,058)
<b><u>Discontinued operations</u></b>			
Net income (loss) and comprehensive income (loss) and net income (loss) and comprehensive income (loss) attributable to Shareholders of the Company	1,123,039	(7,582,632)	2,001,215
<b>Net loss per share (basic and diluted) (in dollars)</b>	0.05	(45.24)	14.83

<sup>1</sup> EBITDA (loss) and Adjusted EBITDA (loss) are non-IFRS financial measures. Refer to section entitled “Non-IFRS Financial Measures” for more details.

## Key Factors Affecting LeddarTech’s Performance

Following our transition to the pure-play automotive software business model (“Pure Play business”), including the divestment of our modules and components businesses (“legacy businesses”), our revenues will no longer include revenues for the sale of LiDAR hardware and sensor components, and related servicing revenue. The revenues related to the legacy businesses represented \$7.5 million for FY2024 compared to \$7.2 million for FY2023. The Company ceased its Modules operations in September 2024 and the Company does not expect to have any additional activities in this legacy business in the future.

Going forward, the Company’s financial position and results of operations will depend to a significant extent on our ability to (i) develop and expand commercial relationships with OEMs and Tier-1 suppliers, (ii) expand our ADAS market presence and benefit from regulatory mandates, (iii) leverage offroad vehicles and industrial markets and (iv) monetize potential for significant value in data collection. Key factor affecting our performance are expected to include the number and nature of commercial agreements we enter into with Tier 1 suppliers and OEMs, negotiated payment arrangements prior to our solutions being included in production vehicles, and unit sales of production vehicles incorporating our solutions.

To the extent we are able to develop and expand our commercial relationships with Tier 1 suppliers and OEMs, we anticipate that our future revenues will be primarily comprised of Non-Recurring Engineering services (“NRE”) revenues from completed Proof of Concept (“POC”) and Proof of Technology (“POT”) assessments, software evaluation sales based on unit sales, licensing fees, royalty payments on per unit sales and maintenance fees. Our software licensing business model is expected to generate licensing revenue based in part upon the number of vehicles using our solutions that are sold, as well as licensing rights to data created or collected by our solutions.

The Company is subject to a covenant to maintain a minimum unencumbered cash balance of at least \$1.0 million under the terms of the Desjardins Credit Facility, as more fully described below. In order for the Company’s anticipated financial resources to be sufficient to meet its capital requirements for the 12 months following the date

hereof, the Company will need to raise additional capital, and if it raises an insufficient amount of capital, the Company will need to reduce its operating costs to ensure sufficient liquidity for its operations and to comply with the requirements of its debt obligations. In connection with any cost reduction plans or activities, the Company will be required to incur cash and non-cash expenses.

## **Restructuring Activities**

*Potential Implementation of Cost Management Plan.* As of September 30, 2024, the Company had a cash balance of approximately \$5.3 million, of which approximately \$5.3 million was unrestricted. As described above, pursuant to the Fourteenth Amendment of the Credit facility, Desjardins had temporarily suspended the minimum cash covenant until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee. After this the date, the Company will be required to maintain a minimum cash balance of \$1.0 million until the earlier of (a) the Short-Term Outside Date, and (b) January 31, 2025, and a minimum cash balance of \$5 million at all times after such date. For more details, refer to caption “*Amendments to the Desjardins Credit Facility*” of the section entitled “*Financing Transactions*” of this MD&A. Continued compliance with the terms of the Desjardins Credit Facility may require reaching an agreement with Desjardins to obtain further relief from the current minimum cash covenant.

The Company will need to raise substantial amounts of additional capital beyond the Bridge Financing, pursuant to the Equity Financing or otherwise. If we are unable to raise additional capital, we will not be able to remain in compliance with the covenants in our debt instruments or meet our debt service obligations. If we are successful in raising additional capital but in amounts insufficient to support normal business operations, we expect that the Company would need to implement a cost management plan as deemed necessary and appropriate so that it can manage compliance with the terms of any waiver or modified minimum cash balance requirement that it is able to negotiate with Desjardins. The company would then have to maintain operating costs at targeted levels to ensure operating costs will not exceed anticipated available liquidity. Such cost management actions may include a reduction in product development activities (a key driver of our cash expenditures), as well as potentially significant reductions in staffing and bonuses. If the cost management plan is fully implemented, we expect to incur cash charges of up to approximately \$3.3 million in connection with the implementation of the cost management plan, primarily related to severance expense related to headcount reduction. If the Company is not successful in raising additional capital and/or is unable to satisfy the Minimum Cash Covenant or to agree with Desjardins to a reduction in the Minimum Cash Covenant, the cash available may not be sufficient to fully implement the cost management plan. See section entitled “*Subsequent Event*”.

If implemented, the cost management plan would be expected to focus most of the Company’s resources (financial and human), on customer acquisition and design wins based on our existing software platform and the features we have released to date and less resources on continuous product improvement or new product development. Successfully executing on our operating and cost management plans and maintaining an adequate level of liquidity, however, will be subject to various risks and uncertainties, including how successful we are at achieving design wins and production contracts, our ability to manage expenses and the availability of additional sources of funding and/or ability to refinance existing funding. Our internal forecasts and projections of working capital reflect significant judgment and estimates for which there are inherent risks and uncertainties. We expect to continue to generate significant operating losses in the foreseeable future.

## **Components of Results of Operations**

*Revenues.* Historically, our revenue has been generated from the sale of products LiDAR hardware and sensor components, and related servicing revenue. Following our transition to the pure-play automotive software business model, our revenues will no longer include revenues from these businesses (legacy businesses), and we expect our revenues to be primarily comprised of non-recurring engineering revenues, software sales based on unit sales, licensing fees and maintenance fees.

*Gross Profit.* Gross profit represents our total revenues, less cost of sales, which historically have consisted of materials, equipment and salaries and related expenses. Following our transition to the pure-play automotive software business model, we expect our cost of goods sold to be primarily comprised of salaries and related expenses, data acquisition and storage fees.

*Operating expenses.* Operating expenses have historically been comprised of selling, general and administrative, stock-based compensation and research and development costs. Following our transition to the pure-play automotive software business model, we expect our operating expenses to be comprised of the same items.

*Other (income) costs.* Other (income) costs historically have been comprised of grant revenue and costs. Following our transition to the pure-play automotive software business model, we expect our Other (income) costs to be primarily comprised of the same items.

## Results of Continuing Operations

### Comparison of Years Ended September 30, 2024 and 2023

#### Revenues

	FY2024	FY2023	Change	
			\$	%
Products	-	-	-	-
Services and other	477,812	197,556	280,256	141.9
<b>Total</b>	<b>477,812</b>	<b>197,556</b>	<b>280,256</b>	<b>141.9</b>

For FY2024, total revenues were \$0.5 million for FY2024, an increase of \$0.3 million or 141.9% compared to FY2023, mainly due to the increase of revenues from services, primarily explained by higher engineering services rendered to strategic external collaborators during the process of developing our ADAS software for FY2024. The revenues from products were nil in FY2024 and FY2023 considering the reclassification of the legacy businesses as discontinued operations in the consolidated statement of loss.

#### Gross profit

	FY2024	FY2023	Change	
			\$	%
Gross profit	477,812	197,556	280,256	141.9
As a percentage of total revenues	100.0%	100.0%	-	-

For FY2024, the gross profit was \$0.5 million compared to a gross profit of \$0.2 million for FY2023. This increase of gross profit of \$0.3 million or 141.9% as compared to FY2023 is primarily attributable to the increase in revenue

#### Operating expenses

	FY2024	FY2023	Change	
			\$	%
Marketing and product management	4,012,238	4,097,931	(85,693)	(2.1)
Selling	2,795,060	3,126,324	(331,264)	(10.6)
General and administrative	17,927,408	18,990,598	(1,063,190)	(5.6)
Research and development costs	7,448,080	11,253,670	(3,805,590)	(33.8)
Stock-based compensation	1,715,512	2,436,974	(721,462)	(29.6)
Listing expenses	59,139,572	-	59,139,572	100.00
Transaction costs	2,407,977	3,506,630	(1,098,653)	(31.3)
Restructuring costs	46,387	1,734,244	(1,687,857)	(97.3)
Impairment losses related to intangible assets	69,315,247	-	69,315,247	100.0
<b>Total</b>	<b>164,807,481</b>	<b>45,146,371</b>	<b>119,661,110</b>	<b>265.1</b>

### ***Marketing and product management***

For FY2024, marketing and product management expenses were \$4.0 million compared to \$4.1 million for FY2023. The decrease of \$0.1 million or 2.1% as compared to FY2023 is primarily attributable to a decrease in salaries and related costs of \$0.4 million and a decrease in advertising expenses of \$0.1 million that partially offset with an increase in professional services costs.

### ***Selling***

For FY2024, selling expenses were \$2.8 million compared to \$3.1 million for FY2023. The decrease of \$0.3 million or 10.6% as compared to FY2023 is primarily attributable to a decrease in salaries and related costs.

### ***General and administrative***

For FY2024, general and administrative expenses were \$17.9 compared to \$19.0 million for FY2023. The decrease of \$1.1 million or 5.6% as compared to FY2023 is primarily attributable to a decrease in professional services costs of \$1.8 million and salaries and related costs of \$0.3 million, partially offset by an increase in insurance costs of \$1.1 million.

### ***Research and development costs***

Research and development costs were \$7.4 million for FY2024 compared to \$11.3 million in FY2023. This decrease of \$3.8 million or 33.8% is primarily attributable to the decrease in salaries and related costs and consulting fees, partially offset by an increase in subcontracting services expenses.

### ***Stock-based compensation***

Immediately prior to the acquisition of Prospector, the Company adopted an Equity Incentive Plan (the “Plan”) for certain qualified directors, executive officers, employees and consultants. This Plan continues in full force and effect as the Company equity incentive plan following the Company Amalgamation. The number of shares available for issuance under the Plan shall not exceed 5,000,000 shares at any time. The Plan provides for the grant of unvested Company Common Shares, (i) share options (“options”), (ii) restricted share units (“RSUs”), (iii) deferred share units (“DSUs”) and (iv) performance share units (“PSUs”). Various vesting conditions may apply to each award and may include continued service, performance and/or other conditions. Following the adoption of the new equity incentive and the grants of the first awards of this plan, the Company closed off the reserve stock option balance related to the previous equity incentive plan, in the deficit.

For FY2024, the stock-based compensation expense was \$1.7 million compared to \$2.4 million for FY2023. This decrease of \$0.7 million or 29.6% in FY2024 as compared to FY2023 is primarily due to a gain on modification of stock options realized in Q1-2024 of \$6.0 million, in relation to the acquisition of Prospector and to the Plan of Arrangement. The gain partially offsets the stock-based compensation expense of \$8.0 million recognized following the adoption of the Plan and initial grant in Q2-2024.

For additional information of stock-based compensation, refer to Notes 19 and 26 of the audited annual consolidated financial statements of the Company for FY2024.

### ***Listing expenses***

The listing expenses of \$59.1 million for FY2024, as compared to nil for FY2023, represents the difference between the fair value of the Common Shares and Class A Non-Voting Special Shares issued to the shareholder of Prospector, net of the fair value of the assets acquired and liability assumes, which includes Public Warrants, Private Warrants and Vesting Sponsor Warrants. For additional information, refer to Note 4 of the FY2024 consolidated financial statements.

### ***Transaction costs***

For FY2024, the transaction costs were \$2.4 million compared to \$3.5 million for FY2023. This decrease of \$1.1 million or 31.3% were fees related to the Business Combination. Refer to section entitled “Business Combination and Public Company Costs” for more details.

### ***Restructuring costs***

In respect with the initiatives related to the LeddarTech’s transition into a pure-play automotive software business model, restructuring costs of \$46 thousand were incurred in FY2024 and \$1.7 million for FY2023 (excluding restructuring costs related to discontinuing legacy businesses activities).

### ***Impairment losses related to goodwill and intangible assets***

During FY2024, impairment losses related to goodwill and intangible assets of \$69.3 million was recognized. As a result of the annual strategic plan review, the company concluded that certain intangible assets were no longer expected to be used when the test was performed at the asset level. The Company also performed a formal annual impairment test for its goodwill and intangible assets not yet available through the assessment of the recoverable amount of the CGU to which they belong. Due to a shift in the expected timing of future revenues and a substantial increase in the discount rate used to calculate the present value of future cash flows, the discounted cash flow test led to an expected recoverable amount that was below the carrying value of the assets. Accordingly, a goodwill impairment charge of \$7.3 million and an impairment charge on development costs of \$58.3 million and of other intangible assets of \$3.7 million were recognized in FY2024.

Refer to Note 6 to LeddarTech’s annual audited consolidated financial statements for FY2024 for more details.

### **Other (income) costs**

Other (income) costs, composed of grant revenues and finance costs, net, were \$3.0 million for FY2024 compared to an income of \$1.1 million for FY2023, an increase of costs of \$4.1 million or 368.6%.

### ***Grant revenue***

The grant revenue is mainly composed of the Scientific Research & Experimental Development (SR&ED) tax credit related to projects and eligible expenses incurred by the Company. For FY2024, the grant revenues were \$0.1 million and the decrease of \$0.3 million as compared to \$0.4 million for FY2023 is mainly due to the decrease in research and development tax credits due to a lower level of eligible projects. Refer to Note 23 to LeddarTech’s annual audited consolidated financial statements for FY2024 for more details.

### ***Finance costs, net***

For FY2024, the finance costs, net, were \$3.1 million compared to a finance income of \$0.7 million in FY2023.

	<b>FY2024</b>	<b>FY2023</b>	<b>Change</b>	
			<b>\$</b>	<b>%</b>
Interest expenses (income)	8,516,353	(1,039,281)	9,555,634	919.4
Loss (gain) on revaluation of financial instruments carried at fair value	(5,553,010)	21,100	(5,574,110)	(26,418)
Other	99,909	288,223	(188,314)	(65.3)
<b>Total</b>	<b><u>3,063,252</u></b>	<b><u>(729,958)</u></b>	<b><u>3,793,210</u></b>	<b><u>(519.6)</u></b>

The increase of \$3.8 million or 519.6% is primarily due to the following items.

- ***Interest expenses:*** The increase of \$9.6 million or 919.4% in FY2024 as compared to FY2023 was mainly due to an increase of interest expense on term loan of \$1.0 million and on convertible notes of \$6.7 million,

an increase in SEPA commitment fees of \$0.5 million, a decrease in gain on term loan modification of \$4.1 million and a decrease in gain on other loan settlement of \$1.6 million, partially offset by an increase of \$4.3 million in capitalized borrowing costs.

- **Loss (gain) on revaluation of instruments carried at fair value:** The gain on revaluation of financial instruments carried at fair value of \$5.6 million for FY2024 was mainly attributable to the remeasurement of warrant liability of \$1.1 million and of conversion option of \$5.7 million, partially offset by a decrease in fair value of the bridge loan of \$1.2 million.
- **Other:** The decrease in other costs of \$0.2 million or 65.3% for FY2024 was mainly due to a loss on conversion of conversion option of \$0.4 million and an increase of \$0.3 million of non-capitalizable financing costs, partially offset by the increase in foreign exchange gain of \$0.6 million and a gain on lease modification of \$0.2 million.

Refer to Note 24 of LeddarTech’s FY2024 consolidated financial statements for more details.

### Net Loss and comprehensive loss from continuing operations

#### Net loss and comprehensive loss

	<u>FY2024</u>	<u>FY2023</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Net loss and comprehensive loss	(167,318,738)	(43,841,777)	(123,476,961)	281.6

For FY2024, the net loss was \$167.3 million compared to a net loss of 43.8 million for FY2023. This increase of net loss of \$123.5 million or 281.6 % as compared to FY2023 is primarily attributable to the following elements:

- the impairment losses related to goodwill and intangible assets of \$69.3 million recognized in FY2024;
- the listing expense of \$59.1 million relating to the business combination which occurred in Q1-2024; and
- the increase in finance cost, net, of \$3.8 million, as explained previously;

partially offset by,

- the increase in gross profit of \$0.3 million, primarily attributable to the increase in revenue from continuing operations in FY2024;
- the decrease in research and development costs of \$3.8 million, due mainly to the decrease in salaries and related costs;
- the decrease in general and administrative expenses of \$1.1 million, due primarily to a decrease in professional services and salaries and related costs of \$2.1 million, partially offset by an increase in insurance costs of \$1.1 million; and
- the decrease in transaction costs and restructuring costs of \$1.1 million and \$1.7 million, respectively

Refer to sections entitled “Operating expenses” and “Other (income) costs” for more details.

**EBITDA (loss)<sup>(1)</sup> and Adjusted EBITDA (loss)<sup>(1)</sup>**

	<u>FY2024</u>	<u>FY2023</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
EBITDA (loss)	(157,229,931)	(42,738,031)	(114,491,900)	267.9
Adjusted EBITDA (loss)	(30,395,262)	(34,815,026)	4,419,764	(12.7)

<sup>(1)</sup> EBITDA (loss) and Adjusted EBITDA (loss) are non-IFRS financial measures. Refer to section entitled “Non-IFRS Financial Measures” for more details.

For FY2024, the EBITDA (loss) was \$157.2 million compared to an EBITDA (loss) of \$42.7 million for FY2023. This increase in EBITDA (loss) of \$114.5 million or 267.9% as compared to FY2023 is primarily attributable to the increase in net loss of \$123.5 million as compared to FY2023, primarily due to the impairment losses related to goodwill and intangible assets of \$69.3 million and the listing expense of \$59.1 million related to the business combination which occurred in FY2024.

For FY2024, the Adjusted EBITDA (loss) was \$30.4 million compared to an Adjusted EBITDA (loss) of \$34.8 million for FY2023. This decrease in Adjusted EBITDA (loss) of \$4.4 million or 12.7% in FY2024 as compared to FY2023 is primarily attributable to the increase in gross profit of \$0.3 million and the decrease in research and development costs of \$3.8 million.

**Net loss from discontinuing operations**

	<u>FY2024</u>	<u>FY2023</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Net profit (loss) and comprehensive profit (loss)	1,123,039	(7,582,632)	8,705,671	(114.8)

For FY2024, net profit from discontinuing operations was \$1.1 million compared to a net loss of \$7.6 million for FY2023. This increase in net profit of \$8.7 million or 114.8% is mainly attributable to the impairment loss related to intangible assets of \$5.8 million recognized in FY2023 and the increase in gross profit of \$2.2 million in FY2024 as compared to FY2023. Refer to Note 7 to LeddarTech’s annual audited consolidated financial statements for FY2024 for more details.

***Comparison of Years Ended September 30, 2023 and 2022 excluding discontinued activities*****Revenues**

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Products	-	52,144	(52,144)	(100.0)
Services and other	197,556	581,706	(384,150)	(66.0)
<b>Total</b>	<b>197,556</b>	<b>633,850</b>	<b>(436,294)</b>	<b>(68.8)</b>

For FY2023, total revenues were \$0.2 million, a decrease of \$0.4 million or 68.8% as compared to FY2022. This decrease is mainly due to the decrease in revenues from services and other of \$0.4 million or 66.0%, is primarily a result of lower engineering services rendered in FY2023 to strategic external collaborators during the process of developing our ADAS software.

**Gross Profit**

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Gross profit	197,556	554,225	(356,669)	64.4
As a percentage of total revenues	100.0%	87.4%		12.6

For FY2023, the gross profit was \$0.2 million compared to a gross profit of \$0.6 million for FY2022. This decrease of \$0.4 million or 64.4% in FY2023 as compared to FY2022 is primarily attributable to the decrease of revenues of \$0.4 million in FY2023 as compared to FY2022, as explained previously.

## Operating expenses

	FY2023	FY2022	Change	
			\$	%
Marketing and product management	4,097,931	3,280,864	817,067	24.9
Selling	3,126,324	3,976,733	(850,409)	(21.4)
General and administrative	18,990,598	15,548,293	3,442,305	22.1
Research and development costs	11,253,670	21,191,064	(9,937,394)	(46.9)
Stock-based compensation	2,436,974	4,272,673	(1,835,699)	(43.0)
Listing expenses	-	-	-	0.00
Transaction costs	3,506,630	-	3,506,630	100.0
Restructuring costs	1,734,244	-	1,734,244	100.0
Impairment loss related to intangible assets	-	38,207,503	(38,207,503)	(100.0)
<b>Total</b>	<b>45,146,371</b>	<b>86,477,130</b>	<b>(41,330,759)</b>	<b>(47.8)</b>

### *Marketing and product management*

For FY2023, marketing and product management expenses were \$4.1 million compared to \$3.3 million for FY2022. The increase of \$0.8 million or 24.9% as compared to FY2022 is primarily attributable to higher salaries and related expenses in relation with product management and marketing activities in support of our pure-play automotive software business model.

### *Selling*

For FY2023, selling expenses were \$3.1 million compared to \$4.0 million, a decrease of \$0.9 million or 21.4% as compared to FY2022, primarily attributable to the decrease in headcount in connection with LeddarTech's transition into a pure-play automotive software business model.

### *General and administrative*

For FY2023, general and administrative expenses were \$19.0 million compared to \$15.5 million for FY2022. The increase of \$3.4 million or 22.1% as compared to FY2022 is primarily due to professional fees incurred for consulting and financing during FY2023.

### *Research and development costs*

Research and development costs were \$11.3 million for FY2023 compared to \$21.2 million in FY2022. This decrease of \$9.9 million or 46.9% is primarily due to management's decision to discontinue the LiDAR components business and in connection with LeddarTech's transition into a pure-play automotive software business model in late FY2022.

### *Stock-based compensation*

For FY2023, stock-based compensation expenses were \$2.4 million compared to \$4.3 million for FY2022. This decrease of \$1.8 million or 43.0% is primarily due to the decrease in stock-based compensation expense recorded for the ESOP of \$0.7 million and VayaVision call option of \$1.1 million, the decrease of \$0.3 million on M-Options economy and the decrease of \$0.3 million of capitalization as development costs, during FY2023.

For additional information of stock-based compensation, refer to Note 19 to LeddarTech's annual audited consolidated financial statements for FY2024 for more details.

### ***Transaction costs***

During FY2023, transaction costs were \$3.5 million compared to nil for FY2022. These transaction costs were related to the proposed Business Combination and LeddarTech will continue to expend significant costs, fees and expenses for professional services and transaction costs in connection with the proposed Business Combination.

### ***Restructuring costs***

The Company expects to complete the initiatives related to the LeddarTech's transition into a pure-play automotive software business model over FY2023.

Restructuring costs of \$1.8 million were incurred in FY2023. Furthermore, after the review of revenues forecasts on certain remaining programs divested following the transition to the pure-play automotive software business model, a write-down on inventories of \$2.3 million and an onerous contract net loss of \$1.4 million were recognized in net income (loss) from discontinued operations in FY2023.

### ***Impairment loss related to intangible assets***

During FY2023, an impairment loss related to intangible assets of \$38.2 million was recognized due to the decrease in the expected recoverable amount of certain intangible assets, explained by the Company's inability to reach a satisfactory financial agreement with one of the main partners of the Component business, after the discontinuation of the Lidar components business in late FY2022. Refer to Note 6 to LeddarTech's annual audited consolidated financial statements for FY2024 for more details.

### **Other (income) costs**

Other income, composed of grant revenue and finance costs, net, were \$1.1 million for FY2023 compared to \$10.5 million for FY2022, a decrease of \$9.4 million or 89.5%.

### ***Grant revenue***

For FY2023, grant revenue was \$0.4 million, which is comparable to those recognized in FY2022. The grant revenue is mainly composed of the Scientific Research & Experimental Development (SR&ED) tax credit related to projects and eligible expenses incurred by the Company.

### ***Finance costs, net***

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Interest expenses (income)	(1,039,281)	(859,403)	(179,878)	(20.9)
Loss (gain) on revaluation of financial instruments carried at fair value	21,100	(7,129,238)	7,150,338	(100)
Other	288,223	(2,078,856)	2,367,079	(113.9)
<b>Total</b>	<b><u>(729,958)</u></b>	<b><u>(10,067,497)</u></b>	<b><u>9,337,539</u></b>	<b><u>(92.7)</u></b>

The net finance income was \$0.7 million for FY2023 compared to \$10.1 million for FY2022. This decrease of \$9.3 million or 92.7% was primarily due to the following items.

- ***Interest expenses (income)***: The increase of \$0.2 million or 20.9% in FY2023 as compared to FY2022 was mainly due to gain on Term loan modification of \$4.3 million in FY2023 and the gain on other loan settlement of \$1.6 million in FY2023, partly offset by the increase of interest expense, due to higher interest expenses on credit facility and on convertible loan and lower capitalized borrowing costs. Refer to "Liquidity and Capital Resources" section for more details.

- **Loss (gain) on revaluation of financial instruments carried at fair value:** The decrease of \$7.2 million or 100.3% of change in FVTPL of financial instruments in FY2023 was mainly attributable to gains on revaluation of convertible loans in FY2022 of \$6.1 million and of a contingent consideration payable of \$1.3 million.
- **Other:** The increase of other expenses of \$2.4 million or 113.9% in FY2023 was mainly due to a foreign exchange loss of \$0.2 million in FY2023 as compared to a foreign exchange gain of \$2.7 million for FY2022, mainly on the higher cash balance denominated in U.S. dollar during FY2022.

Refer to Note 24 to LeddarTech’s annual audited consolidated financial statements for FY2024 for more details.

### Net Loss and comprehensive loss

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Net loss and comprehensive loss	(43,841,777)	(75,419,960)	31,578,183	(41.9)

For FY2023, the net loss was \$43.8 million compared to a net loss of \$75.4 million for FY2022. This decrease of net loss of \$31.6 million or 41.9% as compared to FY2022 is primarily attributable to the decrease of operating expenses of \$41.3 million for FY2023, partly offset by the negative impact on gross profit (loss) of the decrease of revenues in FY2023 compared to FY2022. As previously mentioned, the decrease of operating expenses of \$41.3 million for FY2023 compared to FY2022 is mainly due the impairment losses related to intangible assets of \$38.2 million recognized in FY2022, the decrease in FY2023 as compared to FY2022 of research and development expenses of \$9.9 million and of stock-based compensation expenses of \$1.8 million, partly offset by the increase of general and administrative expenses of \$3.4 million, transaction costs of \$3.5 million in FY2023 and the restructuring costs of \$1.7 million in FY2023.

Refer to sections entitled “Operating expenses” and “Other (income) costs” for more details.

### EBITDA<sup>1</sup> and Adjusted EBITDA<sup>(1)</sup>

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
EBITDA (loss)	(42,738,031)	(73,962,491)	31,224,460	(42.2)
Adjusted EBITDA (loss)	(34,815,026)	(41,361,058)	6,546,032	(15.8)

<sup>(1)</sup> EBITDA (loss) and Adjusted EBITDA (loss) are non-IFRS financial measures. Refer to section entitled “Non-IFRS Financial Measures” for more details.

For FY2023, the EBITDA (loss) was \$42.7 million compared to an EBITDA (loss) of \$74.0 million for FY2022. This decrease of EBITDA (loss) of \$31.2 million or 42.2% as compared to FY2022 is primarily attributable to the impairment losses related to intangible assets of \$38.2 million recognized in FY2022, the decrease in FY2023 as compared to FY2022 of research and development expenses of \$9.9 million and of stock-based compensation expenses of \$1.8 million, partly offset by the increase of general and administrative expenses of \$3.4 million, the transaction costs of \$3.5 million in FY2023 and the restructuring costs of \$1.7 million in FY2023.

For FY2023, the Adjusted EBITDA (loss) was \$34.8 million compared to an Adjusted EBITDA (loss) of \$41.4 million for FY2022. This decrease of Adjusted EBITDA (loss) of \$6.5 million or 15.8% in FY2023 as compared to FY2022 is primarily attributable to the decrease of research and development expenses of \$9.9 million in FY2023 as compared to FY2022, partly offset by the increase of general and administrative expenses of \$3.4 million in FY2023 as compared to FY2022.

## Net profit (loss) from discontinuing operations

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Net profit (loss) and comprehensive profit (loss)	(7,582,632)	2,001,215	(9,583,847)	(478.9)

For FY2023, net loss from discontinuing operations was \$7.6 million compared to a net profit of \$2.0 million for FY2022. This increase of net loss of \$9.6 million or 478.9% is mainly attributable to the impairment loss related to intangible assets of \$5.8 million recognized in FY2023 and the decrease of gross profit of \$3.2 million in FY2023 as compared to FY2022. Refer to Note 7 to LeddarTech's annual audited consolidated financial statements for FY2024 for more details.

## Quarterly Results

The following table presents a summary of our quarterly consolidated financial results for FY2024 and FY2023.

Three month periods ended	<u>September 30, 2024</u>	<u>June 30, 2024</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<b>Revenues</b>	50,561	253,150	122,101	52,001
<b>Net loss and comprehensive loss attributable to Shareholders of the Company</b>				
Continuing operations	(81,154,693)	(7,065,204)	(17,608,415)	(61,188,114)
Discontinued operations	276,926	(389,437)	188,881	1,046,668
<b>Total</b>	<u>(80,877,767)</u>	<u>(7,454,641)</u>	<u>(17,419,534)</u>	<u>(60,141,446)</u>
<b>Per share (basic and diluted) (in dollars)</b>				
Continuing operations	(2.72)	(0.24)	(0.61)	(17.06)
Discontinued operations	0.01	(0.01)	0.01	0.29
<b>Total</b>	<u>(2.71)</u>	<u>(0.26)</u>	<u>(0.61)</u>	<u>(16.76)</u>
<i>Weighted average common shares outstanding, basic and diluted</i>	29,865,648	29,153,504	28,770,930	3,587,572
<b>Three month periods ended</b>	<u>September 30, 2023</u>	<u>June 30, 2023</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
<b>Revenues</b>	52,001	12,082	-	133,474
<b>Net loss and comprehensive loss attributable to Shareholders of the Company</b>				
Continuing operations	(8,172,189)	(2,072,581)	(11,265,503)	(18,899,191)
Discontinued operations	(3,257,651)	(1,802,803)	(1,313,385)	(1,208,794)
<b>Total</b>	<u>(11,429,840)</u>	<u>(3,875,384)</u>	<u>(12,578,888)</u>	<u>(20,107,985)</u>
<b>Per share (basic and diluted) (in dollars)</b>				
Continuing operations	(48.76)	(12.37)	(67.21)	(112.76)
Discontinued operations	(19.44)	(10.76)	(7.84)	(7.21)
<b>Total</b>	<u>(68.19)</u>	<u>(23.12)</u>	<u>(75.05)</u>	<u>(119.97)</u>
<i>Weighted average common shares outstanding, basic and diluted</i>	167,610	167,610	167,610	167,610

## Comparison of Q4-2024 and Q4-2023

For Q4-2024, total revenues from continuing operations remained flat at \$51.0 thousand compared to \$52.0 thousand for Q4-2023. The revenues from products were nil in FY2024 and FY2023 due to the reclassification of the

legacy businesses as discontinued operations in the consolidated statement of loss. The decrease of revenues is primarily a result of lower engineering services rendered to strategic external collaborators.

For Q4-2024, net loss and comprehensive loss attributable to Shareholders of the Company related to continuing operations was \$81.2 million, an increase of \$73.0 million or 893.1% as compared to Q4-2023. This increase was mainly attributable to the increase in impairment losses related to intangible assets and goodwill of \$69.3 million, the increase in finance costs, net, of \$2.6 million and the increase in restructuring costs of \$0.4 million, partly offset by the decrease in transaction costs of \$1.9 million, general and administrative expenses of \$2.2 million and research and development costs of \$1 million.

For Q4-2024, net profit and comprehensive profit attributable to Shareholders of the Company related to discontinued operations was \$0.3 million compared to net loss and comprehensive loss attributable to Shareholders of the Company related to discontinued operations of \$3.3 million for Q4-2023. This increase of \$3.5 million or 108.4% as compared to Q4-2023 was mainly attributable to the decrease in impairment losses related to intangible assets and goodwill of \$4.4 million, partially offset by the decrease of gross profit of \$0.9 million.

For Q4-2024, the variations of the net profit (loss) and comprehensive profit (loss) attributable to Shareholders of the Company, related to continuing operations and to discontinued operations, per share (basic and diluted), are explained by the variation of the net profit (loss) and comprehensive profit (loss) attributable to Shareholders of the Company, as explained above, and the increase of the weighted average common shares outstanding, basic and diluted, due to the financing activities of FY2023 and FY2024, as described in the “*Liquidity and Capital Resources*” section.

#### ***Comparison of other quarters of FY2024 and FY2023***

Prior to Q3-2024, the variations of quarterly revenues of FY2024 and FY2023 were mainly attributable to the variation in the level of engineering services rendered by the Company to strategic external collaborators in the different projects of the Company and the impacts of the management’s decision to discontinue the LiDAR components business and in connection with LeddarTech’s transition into a pure-play automotive software business model in late FY2022.

Prior to Q3-2024, the quarterly variations of the net losses and net losses and comprehensive losses attributable to the shareholders of the Company were partly due to the variations of the operating expenses, mainly explained by the variations of selling expenses and research and development costs, a result of the management’s decision to discontinue the LiDAR components business and the LeddarTech’s transition into a pure-play automotive software business model. These variations of the net losses and net losses and comprehensive losses attributable to the shareholders of the Company were also impacted by the variation of the finance costs, mainly explained by the financing activities realized over the quarters of FY2024 and FY2023, and by the stock-based compensation expenses. The net loss and net loss and comprehensive loss attributable to the shareholders of the Company of Q1-2024 were also negatively impacted by the listing expenses of \$59.1 million and by the transaction costs of \$1.8 million of Q1-2024, partly offset by the impairment of intangible assets of \$5.8 million recognized in Q1-2023.

#### **Selected Financial Position Information**

The following table presents selected financial information from the consolidated Statements of Financial Position as of September, 2024 and 2023.

<b>As of</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Total assets</b>	18,927,222	72,170,407
<b>Non-current financial liabilities</b>		
Long-term debt	79,306,811	47,725,583
Redeemable stock options	-	6,102,496
Government grant liabilities	789,127	899,489
<b>Total</b>	<b>80,095,938</b>	<b>54,727,568</b>

The decrease of total assets of \$53.2 million from September 30, 2023 to September 30, 2024 is mainly attributable to the decrease in intangible assets of \$40.3 million and in goodwill of \$7.3 million, mainly due to the impairment losses related to goodwill and intangible assets of \$69.3 million recognized in FY2024, the reduction of accounts receivable of \$2.2 million, the decrease of government assistance and R&D tax credits receivable of \$0.9 million, the decrease of inventory of \$0.8 million and the decrease of right-of-use assets of \$1.3 million. Refer to the “*Liquidity and Capital Resources*” section for more details on cash variations.

The increase of non-current financial liabilities of \$25.4 million from September 30, 2023 to September 30, 2024 is attributable to the increase in convertible loans of \$30.0 million and to the increase of the bridge loan of \$9.9 million, partially offset by the decrease of the redeemable stock options of \$6.1 million and the gain on revaluation of financial instruments carried at fair value of \$5.6 million recognized in FY2024. Refer to the “*Liquidity and Capital Resources*” section for more details.

## Liquidity and Capital Resources

### Summary of the Consolidated Statements of cash Flows

	FY2024	FY2023	Change	
			\$	%
Net cash flows related to operating activities	(40,890,120)	(36,651,124)	(4,238,996)	11.6
Net cash flows related to investing activities	(11,528,753)	(11,172,500)	(356,253)	3.2
Net cash flows related to financing activities	52,471,946	21,248,280	31,223,666	146.9
Effect of foreign exchange on cash	159,971	(394,515)	554,486	(140.5)
Net increase (decrease) in cash	213,044	(26,969,859)	27,182,903	(100.8)
Cash, beginning of year	5,056,040	32,025,899	(26,969,859)	(84.2)
<b>Cash, end of period</b>	<b>5,269,084</b>	<b>5,056,040</b>	<b>213,044</b>	<b>4.2</b>

### Operating Activities

For FY2024, net cash outflows related to operating activities were \$40.9 million, compared to \$36.7 million for FY2023. The increase of \$4.2 million or 11.6% in net cash outflows related to operating activities was primarily due to the unfavourable net change in non-cash working capital of \$13.4 million during the FY2024 as compared to FY2023, partially offset by the decrease in FY2024 in research and development costs and general and administrative expenses and by the increase in FY2024 in gross profit from discontinued operations of \$2.2 million.

### Investing Activities

For FY2024, net cash outflows related to investing activities were \$11.5 million compared to \$11.2 million for FY2023. The increase in net cash outflows related to investing activities of \$0.4 million or 3.2% is primarily explained by the increases in FY2024 as compared to FY2023 in additions to property and equipment of \$0.3 million, additions to intangible assets of \$0.6 million in FY2024 as compared to FY2023 and the decrease of grants received related to intangible assets and property and equipment of \$0.3 million in FY2024 as compared to FY2023, partially offset by the increase of \$0.7 million of R&D tax credit received in FY2024 as compared to FY2023.

### Financing Activities

For FY2024, net cash flows related to financing activities were \$52.5 million compared to \$21.2 million for FY2023. This increase of \$31.2 million is primarily due to the issuance of convertible notes, net of debt issuance costs, of \$29.5 million in Q1-2024, the issuance of Tranche 1 of the Bridge Loan, net of debt issuance costs, of \$8.0 million in Q4-2024 and the cash acquired from a reverse asset acquisition of \$19.8 million during Q1-2024, partly offset by the net proceeds from a debt issuance of \$27.0 million during Q3-2023. Refer to the next section and to note 15 of the audited annual consolidated financial statements of the Company for FY2024 for more details.

## Liquidity and capital management

Since inception, LeddarTech has incurred cumulative losses from operations and negative cash flows from operating and investing activities and had an accumulated deficit of \$644.2 million as of September 30, 2024, primarily driven by our investments in research and development activities, including fusion perception technologies, and our operating costs supporting our discontinued modules and components business. LeddarTech realized net losses from continuing operations of \$167.3 million for FY2024 and of \$43.8 million for FY2023.

For FY2024, LeddarTech had net cash outflows related to operating and investing activities amounting to \$40.9 million and \$11.5 million respectively, compared to \$36.7 million and \$11.2 million in FY2023, respectively. LeddarTech expects to continue to realize net losses and net negative cash flows from operations in the near term. LeddarTech's principal sources of liquidity have been the issuance of equity, convertible notes and loans from third parties.

As of September 30, 2024, LeddarTech had total liabilities of \$107.6 million, including \$13.9 million in accounts payable, \$28.2 million outstanding on the Desjardins Term Loan (credit facility), \$40.3 million outstanding on the convertible notes issued as part of the PIPE Financing, \$10.8 million outstanding under the IQ Loan Agreement (Term loan), \$9.9 million of bridge loans (convertible and non-convertible), \$2.2 million of lease liabilities, \$1.6 million of government grant liabilities and total shareholders' deficiency (total assets less total liabilities) of \$88.6 million. For more details, refer to caption "*Amendments to the Desjardins Credit Facility*" of the section entitled "*Financing Transactions*" of this MD&A and to notes 11, 15, 16, 17 and 18 of the audited annual consolidated financial statements of the Company for FY2024.

### *Need for Additional Capital – Bridge Financing*

The Company has limited sources of liquidity. As of September 30, 2024, the Company had a cash balance of \$5.3 million, which increased to \$20.8 million as of December 17, 2024.

In order to address its near-term liquidity needs, in August 2024, the Company entered into an agreement in principle with several of its principal shareholders and its principal lender pursuant to which such parties agreed to fund the Company with an aggregate of US\$9.0 million in bridge debt financing (the "Bridge Financing"). The Bridge Financing is intended to support the Company's ability to satisfy its near-term liquidity needs while the Company continued to progress its discussions, including with certain potential strategic investors, to secure US\$35.0 million or more in an additional equity capital (the "Equity Financing"). For more details, refer to caption "*Amendments to the Desjardins Credit Facility*" of the section entitled "*Financing Transactions*" of this MD&A.

The Company will need to raise substantial amounts of additional capital in addition to the Bridge Facility, pursuant to the Equity Financing or otherwise. If the Company is unable to raise additional capital, it will not be able to remain in compliance with the covenants in its debt instruments or meet its debt service obligations. If we are successful in raising additional capital but in amounts insufficient to support its normal operations, the Company will need to reduce its operating costs to ensure sufficient liquidity for its operations and to comply with the requirements of its debt obligations.

The Company has developed a flexible and scalable cost management plan to be implemented to the extent deemed necessary and appropriate so that LeddarTech can maintain operating costs at targeted levels (through strict cost control and budgeting discipline) to ensure operating costs will not exceed anticipated available liquidity. The cost management plan includes the possibility of significant reduction in product development expenditures, significant headcount reductions, and compensation adjustments. The extent to which the cost management plan would need to be implemented will be dependent upon several factors, including scope and terms of any forbearance agreement, waiver, amendment to, or relief from, the minimum cash covenant applicable to LeddarTech and the amount and extent to which the Company is able to raise additional capital in a timely manner, if at all.

It is expected that LeddarTech will need to implement the cost management plan to some degree if it is not successful in its efforts to raise sufficient amounts of additional capital, and depending on the level of relief from the minimum cash covenant LeddarTech is able to negotiate with its lender. Implementation of the cost management plan, if necessary, may materially adversely affect LeddarTech in a number of ways, and would exacerbate risks to which

LeddarTech is already subject. For example, a reduction in product development expenditures and headcount reductions may materially limit LeddarTech's ability to complete, test and offer to the market a comprehensive suite of integrated features and services, and if LeddarTech is only able to offer a limited suite of features and services, it will be less likely to realize the full revenue and profitability potential of its solutions and less able to effectively compete in its targeted markets. Implementation of the cost management plan may also significantly reduce the number of Tier 1 and OEM customers that LeddarTech would be able to support, which in turn would be expected to have a material adverse effect on its revenue and potential profitability.

Pursuant to the Company's cost management plan, in the event the Company does not raise sufficient additional capital, we expect that LeddarTech will reduce its employee headcount. Such headcount reduction would result in a substantial decrease in the number of Company employees to the extent the cost management plan is fully implemented. The extent of any headcount reduction will be based primarily on management's assessment of available liquidity, key operating and business needs, and prevailing conditions at the time. Any significant reduction in headcount has the potential to materially adversely affect our operations and future operating results, including by:

- delaying our ability to timely deliver operational software solutions to our target customers;
- impairing our ability to obtain requisite industry certifications, which would then need to be obtained by the Tier 1 or OEM customer;
- restricting our ability to calibrate and configure our software solutions for more than one set of sensor types, which may make our solutions less appealing to our customers and delay our ability to sell our software solutions to a broad range of Tier 1 and OEM customers;
- delaying our ability to expand the domain capabilities of our software solutions, such as being able to market our software solution for use in snow conditions without additional software capabilities being added to our solutions, which we would be unable to do on the same time frame as if we had not reduced our headcount; and
- further limiting our revenue opportunities due to the fact that a reduced headcount would constrain our ability to service a desired number of Tier 1 and OEM customers.

Each of these potential consequences of any headcount reductions could adversely affect the marketability of our software solutions and the timing and extent of our ability to generate revenue. Additionally, significant headcount reductions may adversely impact our accounting and finance function and make it more difficult to remediate existing significant deficiencies and material weaknesses. Reductions in headcount also will result in immediate severance and other cash costs, which could be significant and may therefore reduce the effectiveness and objectives of our cost management plan in the short-term. Realization of any of these consequences of a headcount reduction could materially adversely affect our business, results of operations, and financial condition.

Further, a reduction in headcount across LeddarTech may adversely affect LeddarTech's ability to timely prepare and publish accurate financial information, develop effective internal controls over financial reporting and remediate existing significant deficiencies and material weaknesses (or identify significant deficiencies and material weaknesses in the future). In connection with any cost reduction plans or activities, the Company will be required to incur cash and non-cash expenses.

Pursuant to the terms of the Minimum Cash Covenant in the Desjardins Credit Facility, LeddarTech has been required to maintain a minimum unencumbered cash balance of \$5.0 million. Pursuant to amendments to the Desjardins Credit Facility, to give the Company sufficient time to finalize the definitive documentation for the Bridge Financing, the Minimum Cash Covenant had been suspended until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first installment of the TI Pre-paid Royalty Fee and after this the date, LeddarTech will be required to maintain a minimum cash balance of \$1.0 million until the earlier of (a) the Short-Term Outside Date, and (b) January 31, 2025, and a minimum cash balance of \$5 million at all times after such date.

For more details, refer to caption "*Amendments to the Desjardins Credit Facility*" of the section entitled "*Financing Transactions*" of this MD&A.

LeddarTech may in the future be unable to comply with the Minimum Cash Covenant, absent an agreement by the lender to further amend, waive or otherwise provide relief from the Minimum Cash Covenant, unless it raises additional capital and/or is able to successfully implement its cost management plan. If LeddarTech is unable to enter into a forbearance agreement, waiver or amendment with, or obtain other relief from, Desjardins, or following receipt of any such relief is nonetheless unable to comply with its terms, and as a result LeddarTech were to fail to comply with such Minimum Cash Covenant, Desjardins would have the right to declare the Desjardins Term Loan to be due and payable, and if it elected to do so, approximately \$89.6 million aggregate principal amount of indebtedness of LeddarTech (including the PIPE Convertible Notes) plus payment in kind (PIK) interest accrued on the PIPE Convertible Notes would also be subject to acceleration. While LeddarTech may seek additional financing to avoid or cure such an outcome or seek from Desjardins further forbearance, waiver or other relief from such requirements, there is no assurance that it would be able to do so on commercially reasonable terms, or at all. In such circumstances, LeddarTech's ability to continue as a going concern would be materially and adversely affected and investors in LeddarTech's Common Shares could lose all or a substantial part of their investment.

### **Financing Transactions**

Set forth below is a summary description of recent financing transactions. Refer to Notes 4, 15, 16 and 18 of LeddarTech's audited annual consolidated financial statements for FY2024 for more details.

#### ***Convertible loan***

On June 12, 2023, concurrently with the execution of the BCA described in "*Business Combination and Public Company Costs*" section, LeddarTech entered into the Subscription Agreement with certain investors, including the PIPE Investors, pursuant to which the PIPE Investors agreed to purchase the PIPE Convertible Notes in an aggregate principal amount of at least US\$43.0 million (the "PIPE Financing").

The Tranche A subscription was completed in June 2023 and July 2023. Tranche B-1 was completed in October 2023 with the remaining Tranche B-2 completed at closing of the BCA.

PIPE Investors in certain tranches of the PIPE Convertible Notes received at the time of issuance of such notes warrants to acquire Class D-1 preferred shares of LeddarTech (the "Class D-1 Preferred Shares" and the warrants, the "PIPE Warrants"). All of the PIPE Warrants were exercised, and the Class D-1 Preferred Shares issued upon exercise of the PIPE Warrants entitled the PIPE Investors to receive 8,553,434 Common Shares upon the closing of the Business Combination. For more details, refer to note 15 of LeddarTech's audited annual consolidated financial statements for FY2024.

The Agreement contains customary covenants that provide for, among other things, limitations on indebtedness and fundamental changes, and reporting requirements.

#### ***Bridge Financing***

On August 16, 2024, the Company also entered into an agreement with several of its principal shareholders and its principal lender pursuant to which such parties agreed to fund the Company with an aggregate of US\$9.0 million in bridge debt financing in order to meet the Company's near-term obligations (the "Bridge Financing") while the Company continued to progress its discussions, including with certain potential strategic investors, to secure US\$35.0 million or more in additional equity capital (the "Equity Financing").

The Bridge Financing comprises two tranches, with the first tranche in the amount of US\$6.0 million was issued in August 2024 at a discount of 25% for aggregate amount of US\$6.2 million, of which US\$4.2 is convertible (the "Convertible Bridge Loan") and US\$2.0 is not convertible (the "Non-Convertible Bridge Loan").

Tranche 2 of the Bridge Financing was issued in October 2024 for an aggregate amount of US\$2.8 million composed of US\$0.9 million in Non-Convertible Bridge Loan and US\$1.9 million in Convertible Bridge Loan

On December 6, 2024, a second amendment was made to the Bridge Financing modifying among other things, the maturity of the bridge loan from November 15, 2024 to December 13, 2024, which date was automatically extended upon the disbursement by TI to LeddarTech of the full first installment of the TI Pre-paid Royalty Fee, to the earlier of (a) January 31, 2025 and (b) the business day following the Short-Term Outside Date.

In connection with the Bridge Financing, one of our existing investors converted US\$1.5 million of its existing convertible notes into common shares in the capital of the Company at an above-market conversion price of US\$2.00 per share, reducing the convertible note balance by US\$1.5 million. The Company also received additional Bridge Loans in an aggregate amount of approximately US\$0.3 million from certain members of management and the board of directors (collectively, the “Additional Bridge Lenders” and, together with the Initial Bridge Lenders, the “Bridge Lenders”) in accordance with the terms of the Bridge Financing.

#### ***Amendments to the Desjardins Credit Facility***

A series of amendments were made to the Credit Facility on October 13, 2023 (Fourth Amendment), October 20, 2023 (Fifth Amendment), October 31, 2023 (Sixth Amendment) and December 8, 2023 (Seventh Amendment). These amendments modified the existing terms of the Desjardins Credit Facility to facilitate completion of the Business Combination by, among other things, to (i) extending the latest date on which the Tranche B of the SPAC Offering must be funded to December 22, 2023, (ii) extending the date on which the payment of interest for the months of October and November 2023 may be made, (iii) reducing the Minimum Cash Covenant for the period from the date of the disbursement of the Tranche A of the SPAC Offering until October 31, 2023 from \$2.5 million to \$1.5 million, to \$0 until the DE-SPAC date and from \$10.0 million to \$5.0 million at all times after the DE-SPAC date and (iv) increasing the aggregate principal amount of the PIPE financing to a minimum of \$44.0 million.

In conjunction with the Credit Facility October 2023 Amendments, LeddarTech issued to Desjardins warrants to purchase Company Common Shares at \$0.01 per share, which warrants were assumed by the Company and were exercised by Desjardins on May 16, 2024 for 250,000 Company Common Shares at \$0.01 per share.

The warrants were recorded as a reduction of the Credit Facility, with a corresponding increase in Reserve – Warrants in Equity of \$1.6 million.

The Desjardins Credit Facility was further amended on July 5, 2024 (Ninth Amendment), July 26, 2024 (Tenth Amendment), August 5, 2024 (Eleventh Amendment) and August 14, 2024 (Twelfth Amendment), modifying the Minimum Cash Covenant amount at different levels for different periods, finally be set to \$1.0 million from August 20, 2024 to the earlier of the Short-Term Outside Date (as defined below) and November 15, 2024.

On December 6, 2024, the Fourteenth Amendment was concluded, and this amendment temporarily suspends the Minimum Cash Covenant until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee. After this date, LeddarTech will be required to maintain a minimum cash balance of \$1.0 million until the earlier of (a) the Short-Term Outside Date, and (b) January 31, 2025. After such date, the Minimum Cash Covenant amount will be \$5 million at all times.

Under the Eleventh Amendment and the Fourteenth Amendment, Desjardins has also agreed to, among other things, temporarily postpone payment of interest for the months of July through December 2024 until the earlier of (a) the date of the final disbursement of one or several equity investments in the borrower for minimum gross proceeds amount of \$35 million USD in the aggregate (the “Short-Term Outside Date”), and (b) January 31, 2025 assuming the disbursement to LeddarTech of the full first installment of the TI Pre-paid Royalty Fee

#### ***Warrant liabilities***

Upon close of the acquisition of Prospector, the Company assumed through the Transactions, public warrants, private warrants and vesting sponsor warrants (“Public Warrants”, “Private Warrants” and “Vesting Sponsor Warrants”, collectively “the Warrants”) in connection with the BCA and plan of arrangement. There is no transaction and no change in fair value of all warrants during the period.

Refer to notes 4 and 16 of LeddarTech’s audited annual consolidated financial statements for FY2024 for more details.

### ***Capital stock***

The Company is authorized to issue an unlimited number of common shares, without par value, an unlimited number of Class A Non-Voting Special Shares, Class B Non-Voting Special Shares, Class C Non-Voting Special Shares, Class D Non-Voting Special Shares, Class E Non-Voting Special Shares and Class F Non-Voting Special Shares and an unlimited number of preferred shares issuable in series.

Following the consummation of the Business Combination, there were (i) 28,770,930 Common Shares outstanding; (ii) 2,031,250 Class A Non-Voting Special Shares outstanding, (iii) 999,963 Class B Non-Voting Special Shares outstanding, (iv) 999,963 Class C Non-Voting Special Shares outstanding, (v) 999,963 Class D Non-Voting Special Shares outstanding, (vi) 999,963 Class E Non-Voting Special Shares outstanding, (vii) 999,963 Class F Non-Voting Special Shares outstanding, and (viii) no preferred shares outstanding.

Class A non-voting special shares issued through the Transactions to Prospector Sponsor in connection with the BCA and plan of arrangement will vest and convert into common shares, in equal thirds upon the volume weighted average price of the common shares exceeding US\$12.00, US\$14.00 and US\$16.00, respectively, for any 20 trading days within any consecutive 30 trading day period commencing at least 150 days following the closing.

Classes B to F Non-Voting Special Shares issued through the Transactions were valued at the time of issuance at per share amounts ranging from \$3.78 (US\$2.84) to \$5.22 (US\$3.93) based on option pricing models that consider the vesting terms of the instruments issued.

During FY2024, 682,685 Common Shares were issued following the exercise of warrants, the exercise of RSU, in connection with the BCA and in connection with the Standby Equity Purchase Agreement. Refer to Notes 15 and 19 of LeddarTech’s audited annual consolidated financial statements for FY2024 for more details.

As of September 30, 2024, the Company held no common shares as treasury shares.

Refer to Notes 4, 18 and 19 of LeddarTech’s audited annual consolidated financial statements for FY2024 for more details.

### ***Standby Equity Purchase Agreement***

On April 8, 2024, the Company entered into a Standby Equity Purchase Agreement (the “SEPA”) with YA II PN, Ltd. (“Yorkville”) for a period of 3 years, or on the date on which the Investor shall have made payment pursuant to the Commitment Amount. Pursuant to the SEPA, assuming satisfaction of certain conditions and subject to the limitations set forth in the SEPA, the Company will have the right from time to time, but not the obligation, to issue and sell to Yorkville up to \$50.0 million (the “Commitment Amount”) of its common shares. The Company may also require Yorkville to purchase Common share under the SEPA up to 500,000 Shares of Common Stock. The Company also agreed to pay Yorkville a commitment fee equal to 0.75% of the Commitment Amount. During FY2024, 166,696 common shares were issued to cover the commitment fee.

Through December 17, 2024, the Company issued 5,490,000 common shares under the SEPA agreement, generating net proceeds of US\$9.0 million.

### ***Redeemable stock options***

The redeemable stock options, representing a non-current liability of \$6.1 million as at September 30, 2023, were exercisable at any moment on or after the 10th anniversary of each plan (MSOP, MSOP II and MSOP III) or prior to this date if an IPO or Liquidation event occurs. As a part of the transaction, the redeemable stock options were converted into new non-redeemable stock options, representing a gain on modification of stock options of \$6.0 million for FY2024.

Any debt or equity securities to be offered and sold in the Bridge Financing transaction or in the Equity Financing transaction may not be registered under the Securities Act or state securities laws and may not be offered or sold in the United States absent registration with the SEC or compliance with an applicable exemption from such registration requirements. This description of the Bridge Financing and Equity Financing shall not constitute an offer to sell or the solicitation of an offer to buy any securities in the Bridge Financing transaction or the Equity Financing transaction, nor shall here be any sale of such securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.

## **Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to various risks in relation to financial instruments. The main types of risks are foreign exchange risk, interest rate risk and liquidity risk. The Company currently does not use financial derivative instruments to manage these risks. While LeddarTech could enter into hedging contracts from time to time, any change in the cash flow and the fair value of the contracts may be offset by changes in the underlying value of the transactions being hedged. For more details refer to Note 28 of the LeddarTech's audited annual consolidated financial statements for FY2024.

### ***Foreign exchange risk***

Since the Company operates internationally, it is exposed to foreign exchange risk as a result of potential exchange rate fluctuations related to non-intragroup transactions and the financing of the development activities of its subsidiary VayaVision who operates in Israeli using mainly USD and NIS currencies. The Company is also exposed to foreign exchange risk on its PIPE convertible loans and its bridge loans denominated in US Dollars.

Fluctuations in the Canadian dollar and the exchange rates could have potentially significant impact on the Company's results of operations.

### ***Interest rates***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates as described in the Notes 15 and 28 of LeddarTech's audited annual consolidated financial statements for FY2024. The Company is also exposed to change in fair value of financial instruments with fixed interest rates.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or can only do so at excessive cost. The Company manages this risk by maintaining detailed cash forecasts and long-term operating and strategic plans. The adequacy of liquidity is assessed in view of operational needs, sales forecasts and maturity of indebtedness. The Company is confident that the future cash flows from operations and cash will allow for the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company also continually monitors any financing opportunities to optimize its capital structure.

## **Accounting and disclosure matters**

### **Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ significantly from these estimates.

The key judgments, estimates and assumptions that have a risk of causing a material adjustment to the carrying value of certain assets and liabilities are related to:

- Development costs;

- Discontinued operations;
- Government grant liability;
- Stock-based payments;
- Recoverable amount of a group of assets of a CGU; and
- Estimates for debt, including bifurcation.

For a more detailed discussion on these areas requiring the use of management estimates, judgments, and assumptions, please refer to Note 3 to LeddarTech's audited annual consolidated financial statements for FY2024.

### **Emerging Growth Company Status**

As defined in Section 102(b)(1) of the JOBS Act, LeddarTech is an emerging growth company. As such, LeddarTech is eligible for and relies on certain exemptions and reduced reporting requirements provided by the JOBS Act, including (a) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act, (b) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (c) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements.

LeddarTech will remain an emerging growth company under the JOBS Act until the earliest of (i) the last day of the fiscal year in which it has total annual gross revenue of US\$1.07 billion or more during such fiscal year (as indexed for inflation), (ii) the date on which it has issued more than US\$1 billion in non-convertible debt in the prior year period, (iii) the last day of the fiscal year following the fifth anniversary of the Prospector's initial public offering, or (iv) when it has qualified as a "large accelerated filer," which refers to when it (1) has an aggregate worldwide market value of voting and shares of common equity securities held by non-affiliates of US\$700 million or more, as of the last business day of its most recently completed second fiscal quarter, (2) has been subject to the requirements of Section 13(a) or 15(d) of the Exchange Act, for a period of at least twelve calendar months, (3) has filed at least one annual report pursuant to Section 13(a) or 15(d) of the Exchange Act, and (4) is not eligible to use the requirements for "smaller reporting companies," as defined in the Exchange Act.

### **Non-IFRS financial measures**

EBITDA and Adjusted EBITDA are non-IFRS financial measures. A non-IFRS financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in Company's consolidated primary financial statements.

In Q2-2024, the Company started to use these two new non-IFRS financial measures because we believe these non-IFRS financial measures are reflective of our ongoing operating results and provide readers with an understanding of management's perspective on and analysis of our performance.

Below are descriptions of the non-IFRS financial measures that we use to explain our results as well as reconciliations to the most directly comparable IFRS financial measures.

EBITDA (loss) is calculated as net earnings (loss) before interest expenses (income), deferred income taxes, depreciation of property and equipment, depreciation of right-of-use assets and amortization of intangible assets. The Company believes that EBITDA (loss) is a meaningful measurement since it is a key measure used to evaluate performance at a consolidated level. EBITDA (loss) is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance. EBITDA (loss) should not be considered as an alternative to net loss in measuring performance, nor should it be used as a measure of cash flow.

Adjusted EBITDA (loss) is calculated as EBITDA (loss), adjusted for foreign exchange gain (loss), loss (gain) on revaluation of financial instruments carried at fair value, gain or loss on lease modification, share-based compensation, listing expense, transaction costs, restructuring costs and impairment loss on intangible assets.

The Company believes that Adjusted EBITDA (loss) is a meaningful measure since it allows to assess the Company's operating performance and financial position between periods without the variances created by the impact of the above-noted items. The Company believes that these measures are important supplemental measures because they eliminate items that are less indicative of our core business performance and could potentially distort the analysis of trends in our operating performance and financial position. The Company considers that these non-IFRS financial measures, in addition to the financial measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance, and future prospects in a manner similar to management.

The following tables set forth a reconciliation of Adjusted EBITDA and EBITDA to net loss reported in accordance with IFRS for the FY2024, FY2023 and FY2022.

	<b>FY2024</b>	<b>FY2023</b>	<b>FY2022</b>
<b>Net loss from continued operations</b>	<b>(167,318,738)</b>	<b>(43,841,777)</b>	<b>(75,419,960)</b>
Deferred income taxes	15,882	-	-
Depreciation of property and equipment	783,081	1,274,597	1,448,867
Depreciation of right-of-use assets	515,558	581,936	610,941
Amortization of intangible assets	257,932	286,494	257,064
Interest expenses (income)	8,516,354	(1,039,281)	(859,403)
<b>EBITDA (loss) from continuing operations</b>	<b><u>(157,229,931)</u></b>	<b><u>(42,738,031)</u></b>	<b><u>(73,962,491)</u></b>
Foreign exchange loss (gain)	(399,827)	224,057	(2,749,505)
Loss (gain) on revaluation of financial instruments carried at fair value	(5,553,010)	21,100	(7,129,238)
Gain on lease modification (Note 15)	(204,146)	-	-
Loss on exercise of conversion option	366,957	-	-
Stock-based compensation	1,715,512	2,436,974	4,272,673
Listing expense	59,139,572	-	-
Transaction costs	2,407,977	3,506,630	-
Restructuring costs	46,387	1,734,244	-
Impairment loss related to property and equipment	-	-	-
Impairment loss related to intangible assets	69,315,247	-	38,207,503
<b>Adjusted EBITDA (loss) from continuing operations</b>	<b><u>(30,395,262)</u></b>	<b><u>(34,815,026)</u></b>	<b><u>(41,361,058)</u></b>

### Internal Control over Financial Reporting

Prior to completion of the Business Combination, the Company was a private company and we addressed our internal control over financial reporting with internal accounting and financial reporting personnel and other resources.

In the course of preparing for the Business Combination, the Company identified material weaknesses in its internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim condensed consolidated financial statements may not be prevented or detected on a timely basis.

The following material weaknesses were identified by the Company:

- i. Insufficient accounting personnel to execute the routine and non-routine accounting processes and apply segregation of duties over the execution and approval of journal entries.
- ii. The Company has not adequately assessed the effectiveness of its information technology controls to select and develop general control activities over technology to support its financial reporting activities. As a result, the Company places extensive reliance on spreadsheets for various financial processes, including data entries,

calculations and analysis, which lack the robust controls and validation mechanisms present in an integrated financial software environment. In addition, the Company has inadequate documentation and a lack of effective review controls to validate the inputs and assumptions used in the data entries, calculations, and analysis in the spreadsheets.

- iii. Review controls regarding both routine accounting processes and accounting treatments for complex transactions that were not designed effectively to ensure that accounting transactions are properly recognized and measured in the consolidated financial statements.

We have taken steps to address these pervasive material weaknesses and have implemented our remediation plan which addressed the underlying causes of the previous years' material weaknesses. We have assessed the resource needs and have employed appropriately qualified staff to perform routine accounting transactions. We have also engaged external advisors with subject matter expertise and additional external resources to provide assistance in assessing complex and highly subjective accounting transactions. Further, we have engaged an external resource to assist with the assessment of our control environment including, performance of a risk assessment; documentation of process flows; design and remediation of internal controls; and evaluation of the design and operational effectiveness of our internal controls. We engaged an external advisor to provide an assessment of our general IT Controls (GTIC) environment and are implementing the recommendations from the assessment. We have chartered a Security Steering Committee comprised of several members of the executive team. We continue to evaluate the longer-term resource needs of our various financial functions.

While we have made some upgrades to our enterprise resource planning ("ERP") system to address internal control concerns, we are evaluating alternative ERP systems that may better fit our longer-term needs.

We have made enhancements to our control environment and have implemented control activities to prevent or detect material misstatements. As such, we conclude that our material weaknesses have been remediated. Moreover, significant operating cost reductions may materially adversely impact our accounting and finance function and make it more difficult to remediate existing significant deficiencies and may give rise to additional material weaknesses.

### **Foreign Private Issuer Status**

LeddarTech qualifies as a "foreign private issuer" as defined under SEC rules. Even after LeddarTech no longer qualifies as an emerging growth company, as long as LeddarTech continues to qualify as a foreign private issuer under SEC rules, LeddarTech is exempt from certain SEC rules that are applicable to U.S. domestic public companies, including:

- the rules requiring domestic filers to issue financial statements prepared under U.S. GAAP;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial statements and other specified information, and current reports on Form 8-K upon the occurrence of specified significant events; and
- the selective disclosure rules by issuers of material non-public information under Regulation FD.

Notwithstanding these exemptions, LeddarTech will file with the SEC, within four months after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm. In addition, LeddarTech will furnish with the SEC on Form 6-K periodic reports and other documents filed with the Canadian Securities Administrators.

LeddarTech may take advantage of these exemptions until such time as LeddarTech is no longer a foreign private issuer. LeddarTech would cease to be a foreign private issuer at such time as more than 50% of its outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of its executive officers or directors are U.S. citizens or residents, (ii) more than 50% of its assets are located in the United States or (iii) its business is administered principally in the United States.

Both foreign private issuers and emerging growth companies also are exempt from certain more stringent executive compensation disclosure rules. Thus, even if LeddarTech no longer qualifies as an emerging growth company, but remains a foreign private issuer, LeddarTech will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor a foreign private issuer.

In addition, because LeddarTech qualifies as a foreign private issuer under SEC rules, LeddarTech is permitted to follow the corporate governance practices of Canada (the jurisdiction in which LeddarTech is organized) in lieu of certain Nasdaq corporate governance requirements that would otherwise be applicable to LeddarTech.

If at any time LeddarTech ceases to be a foreign private issuer, LeddarTech will take all action necessary to comply with the SEC and Nasdaq Listing Rules, including by appointing a majority of independent directors to its board of directors and having compensation and nominating committees that are comprised solely of independent directors, subject to a permitted “phase-in” period.

## **Subsequent Events**

### ***Strategic Collaboration Agreement and a Software License Agreement***

On December 9, 2024, the Company announced that LeddarTech and Texas Instruments (“TI”) have entered into a strategic collaboration agreement and a software license agreement to enable a comprehensive, integrated platform solution for ADAS an AD markets. Under the license agreement, TI has agreed to make advanced royalty payments to catalyse joint commercialization.

The agreement outlines a total payment of approximately US\$10 million in advance royalties, with the potential for additional royalties over time. An initial payment of US\$5.0 million was received by the Company on December 12, 2024. A subsequent payment of US\$3.0 million USD will follow the completion of the demonstrator, which is planned to debut at the Consumer Electronics Show in Las Vegas next month. The final US\$1.9 million will be contingent upon the execution of a client contract with an original equipment manufacturer (OEM).

The consideration received in advance from TI will be recorded as deferred revenue until the Company fulfills its related obligations.

For more details, refer to Notes 30 of the audited annual consolidated financial statements of the Company for FY2024.

### ***Credit Facility and Bridge Financing***

On December 6, 2024, in connection with the collaboration and license agreements with TI and the advanced royalty payments provided thereunder (the “TI Pre-paid Royalty Fee”), LeddarTech entered into:

- a fourteenth amendment of its Credit facility with Desjardins pursuant to which Desjardins has agreed to, among other things: (i) temporarily postpone payment of interest for a certain period of time, and (ii) temporarily suspend the Minimum Cash Covenant until the earlier of (a) December 13, 2024, and (b) the date of disbursement to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee.
- a second amendment of the Bridge Financing modifying among other things, the maturity of the bridge loan to December 13, 2024, which date will automatically be extended upon the disbursement by TI to LeddarTech of the full first instalment of the TI Pre-paid Royalty Fee, to the earlier of (a) January 31, 2025 and (b) the business day following the Short-Term Outside Date.

Also, on October 15, 2024, the Tranche 2 of the Bridge Financing was issued for an aggregate amount of US\$2.8 million composed of US\$0.9 million in Non-Convertible Bridge Loan and US\$1.9 million in Convertible Bridge Loan.

Refer to caption “*Amendments to the Desjardins Credit Facility*” of section “*Financing transactions*” of this MD&A for more details.

***Issuance of common shares under the SEPA agreement***

Through December 17, 2024, the Company issued 5,490,000 common shares under the SEPA agreement, generating net proceeds of US\$9.0 million. Refer to caption “*Capital stock*” of section “*Financing transactions*” of this MD&A for more details.

[This page intentionally left blank]

[This page intentionally left blank]



