# Legend Power Systems Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Nine months ended June 30 2017**

(Unaudited - Expressed in Canadian Dollars)

Dated August 23, 2017

## ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation is prepared as at August 23, 2017, and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes for the nine months ended June 30, 2017 and consolidated financial statements and the accompanying notes for the years ended September 30, 2016 and 2015 of Legend Power Systems Inc. ("Legend" or the "Company"). The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all comparative information provided is in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars.

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

Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com and the Company's website at www.legendpower.com.

## CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

## OUR BUSINESS

Legend Power Systems Inc. and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is an electrical energy conservation company that markets a patented device designed to provide energy savings through Conservation Voltage Reduction (CVR) to owners of commercial and industrial buildings. Most buildings on a power grid receive a higher electrical voltage than required from their power utilities as a counteracting measure to mitigate the challenges of line loss across a feeder length, and the variable nature of power demand. Voltage higher than a building's equipment specifications negatively impacts the lifespan of electrical equipment and unnecessarily increases power consumption. This results in higher monthly utility bills, premature equipment failure, and a larger than necessary environmental footprint for the affected building. Legend utilizes a proprietary and patented technology to apply the principles of CVR to a building in order to regulate its voltage and lower its total power consumption. By ensuring a consistent and optimized voltage level across all loads, the Electrical Harmonizer helps its customers reduce their electricity bills and maintenance costs while increasing the life of their electrical equipment.

**Vision and Strategy**

The Company's vision statement is - "To be recognized as a leading global supplier of innovative electrical energy conservation solutions". The Company's product, the Harmonizer, delivers 4% to 8% energy savings for buildings in North America, which is a proportionately significant reduction for companies with large format real estate such as property management companies, big box retail, office buildings, schools, hospitals, multi-unit residential, hotels, etc. The typical payback period on an average system is between 3 to 4 years, making it a highly competitive energy saving option, especially with the cost of energy increasing in most jurisdictions.

A core element of Legend's business plan is to leverage both direct and distribution sales channels to aggressively expand key recommender product adoption and market share in multiple geographic locations. Direct sales in the Province of Ontario is a notable revenue stream that additionally serves as a test bed for sales best practices and intelligence gathering. Expansion into the north eastern United States will take place during late 2017 and early 2018. It is management's view that successful expansion into the United States (or any other new market) is dependent on three primary criteria: 1) a high cost of electrical energy in the region; 2) local government incentives for customers to purchase Legend's technology; and 3) technology endorsement by "Key Influencers", such as local utilities and electrical contractors. Key Influencers are defined as individuals or organizations in a target market with whom Legend has proven its solution to be effective, and has developed a relationship that supplies active endorsement of the product's performances, value, and applicability to other potential customers within their sphere of influence.

The Company recently completed research and development projects yielding new and/or enhanced products for: 1) Canada's modern 600 volt standard allowing Legend to better address opportunities in market verticals such as retail, commercial and light industrial; 2) Canada's older 208 volt standard which is aimed at the multi residential and education market verticals; and 3) the 480 volt standard to enable product application in all market verticals in the United States. Legend's current research and development program, now in prototype testing phase, is focused on the creation of a new architectural platform that will offer greater energy savings in all geographic territories and market verticals along with improved margins for the Company. Additionally, the next generation architecture will visually display energy usage data both in the electrical room environment and the decision maker's office to enable improved energy efficiency decisions.

## OVERALL PERFORMANCE

**For the three months ended June 30, 2017**

**Summary**

- Greater than 50% growth in quarter over quarter revenue
- Recorded first ever quarter of positive Adjusted EBITDA (see page 5 for definition of Adjusted EBITDA)
- Achieved record quarterly revenue of $1,516,813 on sale of 26 units
- Blended gross profit margin of 47%
- 10 unique customer transactions
- Committed Orders[1] for 13 units as at June 30, 2017

[1] The Company is reporting Committed Orders, a non-IFRS measure, which is a supplementary indicator of sales activity. Committed Orders herein are tabulated as of the last day of the prior fiscal quarter.

This measure is being presented based on the belief that it provides the reader a more complete and current understanding of the Company's sales activity.

The measure does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines Committed Orders as the total number of units committed for purchase by customers, evidenced by either a purchase order, purchase agreement, or both on the last day of the most recently ended fiscal quarter, which had not been recognized in revenue during the proceeding financial periods.

**Corporate Update**

The Company has made significant progress in several key areas of its growth plan, including:

USA Expansion

- Further built out brand foundation and core messaging to support international expansion
- Developed and began implementing go-to-market strategy
- Phase-one of international growth plan budget, financed through early exercise of stock purchase warrants by key management and core group of shareholders

New Product Development

- Made significant progress towards developing new generation of product including expanded capabilities for energy savings in voltage management;
- New product will move the value offering outside of the electrical room dramatically improving the ability to make data driven decisions around energy efficiency and power quality

Focus on revenue generation in the established direct-sales region of Ontario

- Hired and deployed new sales people in targeted verticals to support growth;
- Expanded product awareness and sales activity in education vertical which translated into increased sales

Field Operations

- Made significant strides towards install cost control by building in-house install team which is scalable for continued growth and margin improvements

## RESULTS OF OPERATIONS

The Company both reports its financial results in and has determined its functional currency to be, the Canadian Dollar (Cdn$).

Financial summary for the three and nine month periods ended June 30, 2017 and 2016

| | Three-months ended June 30, | | | Nine-months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue | 1,516,813 | 588,982 | 157.5% | 3,163,042 | 2,036,782 | 55.3% |
| Cost of sales | 799,219 | 284,262 | 181.2% | 1,658,365 | 1,234,109 | 34.4% |
| Gross margin[1] | 717,594 | 304,720 | 135.5% | 1,504,677 | 802,673 | 87.5% |
| Gross margin %[1] | 47.3% | 51.7% | (4.4)% | 47.6% | 39.4% | 8.2% |
| Operating expenses | (886,511) | (879,240) | 1.0% | (2,395,580) | (2,265,215) | 5.8% |
| Operating expense as % of sales | 58.4% | 149.2% | (90.8)% | 75.7% | 111.2% | (35.5)% |
| Adjusted EBITDA[2] | 39,088 | (330,720) | 111.8% | (433,972) | (1,163,194) | 62.7% |
| Net (loss) | (161,510) | (574,370) | (71.88)% | (881,244) | (1,461,780) | (39.7)% |

[1] Gross margin is based on a blend of both equipment and installation revenue.
[2] Adjusted EBITDA; for the three and nine month periods ended June 30, 2017 and 2016, we are disclosing Adjusted EBITDA, which is a non-IFRS financial measure, as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before; interest, income taxes, amortization, warranty expense, non-cash stock based compensation and foreign exchange gains and losses, as well as unusual non-operating items such as insurance settlement.

Revenue for the third quarter of 2017 was $1,516,813, up from $588,982 in the same period of fiscal 2016. Year to date revenue was $3,163,042, up from $2,036,782 in the same period of 2016. The higher revenue in both periods is attributable to increasing demand for the Company's product.

Gross blended margin in the third quarter 2017 was 47.3%, a slight decrease from 51.7% in the same period of 2016. Year to date gross blended margin was 47.6%, significantly improved from 39.4% in 2016. The decrease in blended gross margin for the three month comparative periods is due in most part to the effect of the Company's more comprehensive approach, in fiscal 2017, to capturing indirect manufacturing costs and to weaker margins associated with in installation revenue from business written in prior periods. The increase in gross blended margin for year over year nine month periods is due primarily to economies of scale achieved through higher volume of units sold and a comparatively stronger profit margin contribution from installation services. Management expects gross blended margin to continue to improve with volume, cost optimization, and a strengthened field operations team focused on profitability in our installation services business.

Operating expense as a percentage of revenue in the third quarter 2017 was 58.4% compared with 149.2% in the same quarter of 2016. Year to date operating expense was 75.7%, down from 111.2% in 2016. The decreases in both comparative periods is due primarily to increases in revenue in the current year periods, offset slightly by marginally higher operating expenses associated with the Company's growth in the current year. Effective control of operating expenses related to the Company's rapid growth remains a top priority of management. Thirteen new individuals have been added to the Legend team since the beginning of our fiscal year without a negative impact on our operating expense as a percentage of revenue results.

Third quarter 2017 Adjusted EBITDA was positive $39,088, a significant improvement from negative $330,720 in 2016. Year to date Adjusted EBITDA was negative $433,972, also a significant improvement over negative $1,163,194 in 2016. The Company was able to realize these improved results in both comparative periods by achieving stronger sales and gross margins, which was offset slightly by higher operating expenses.

Net loss for the third quarter 2017 was $161,510, down from $574,370 in 2016 and year to date was $881,244 down from $1,461,780 in 2016.

Included in the third quarter 2017 net loss were several significant non-cash items, which totaled $208,005, while in the year to date period non-cash items totaled $456,931.

**Operating Expenses and Other Items**

| | Three-months ended June 30, | | | Nine-months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2017 | 2016 | Change | 2017 | 2015 | Change |
| Amortization and depreciation | 51,432 | 47,491 | 8.3% | 149,750 | 141,167 | 6.1% |
| General and overhead | 156,231 | 166,115 | (6.0)% | 479,452 | 400,638 | 19.7% |
| Professional fees | 25,000 | 22,325 | 12.0% | 99,265 | 65,272 | 52.1% |
| Product development | - | 14,803 | (100.0)% | - | 36,494 | (100.0)% |
| Salaries and consulting fees | 497,275 | 432,197 | 15.1% | 1,359,933 | 1,219,663 | 11.5% |
| Share-based compensation | 95,573 | 152,309 | (37.3)% | 210,180 | 307,981 | (31.8)% |
| Warranty provision | 61,000 | 44,000 | 38.6% | 97,000 | 94,000 | 3.2% |
| **Total operating expenses[1]** | **886,511** | **879,240** | 1.0% | **2,395,580** | **2,265,215** | 5.8% |

[1] Before other items.

Total operating expenses for the third quarter 2017 increased to $886,511 up slightly from $879,240 in same period of 2016 and year to date was $2,395,580 up from $2,265,215 in 2016.

**Select expenses include:**

- Amortization and depreciation costs for the third quarter of 2017 were $51,432, up slightly from $47,491 in the same period of 2016 and year to date costs were $149,750 up from $141,167 in the same period of 2016. The slight increases are due to additional depreciation on recent equipment purchases. Amortization, which relates to patent costs, did not vary from the prior year's comparative periods.

- General and overhead costs for the third quarter 2017 were $156,231, down from $166,115 in the same period of 2016 and year to date costs were $479,452 up from $400,638 in the same period of 2016. The increase in costs for the year to date period was due primarily to higher office related costs and growth in costs associated with sales and business development focused travel.

- Professional fees for the third quarter 2017 were $25,000, up slightly from $22,325 in the same period of 2016 and year to date costs were $99,265 up significantly from $65,272 in the same period of 2016. The higher costs in experienced year to date 2017 compared with the same period in 2016 are due to an increase in audit costs and legal fees for regulatory related filings.

- Product development costs for the third quarter 2017 were $nil, compared with $14,803 in the same period of 2016 and year to date costs were $nil compared with $36,494 in the same period of 2016. The significant differences in both comparative periods is due to the fact that during fiscal 2017, activities associated with development of the Company's next generation technology were classified as having progressed from the research phase, into the development stage, thus related expenditures during the year were capitalized as opposed to being expensed as was the case in fiscal 2016.

- Salaries and consulting fees for the third quarter 2017 were $497,275, up from $432,197 in the same period of 2016 and year to date costs were $1,359,933 up from $1,219,663 in 2016. The increases are due to the addition of personnel in sales, marketing, field operations, production and engineering.

- Share-based compensation expense for the third quarter 2017 was $95,573, down from $152,309 in the same period of 2016 and year to date costs were $210,180, down from $307,981 in 2016. Share-based compensation expense is attributable to grants of incentive stock options to employees, officers, directors and consultants. Share based compensation is recognized and expensed in relation to the Fair Market Value and vesting periods associated with the options. Variation in both year over year periods is due to comparatively lower numbers of options vesting in fiscal 2017.

- Warranty provision for the third quarter 2017 was $61,000, up from $44,000 in the same period of 2016 and year to date was $97,000, up slightly from $94,000 in 2016. The increase in Q3 2017 compared with Q3 2016 is due to an increase in unit sales. In spite of a material increase in unit sales in 2017, only a small increase in warranty provision occurred in the comparative year to date periods, due primarily to the fact that a number of historical unit sales recently reached their 10-year anniversary and warranty expiration in fiscal 2017.

**Quarterly Trends**

(Cdn$, unless noted otherwise)

| | 2015 (Restated) | 2016 (Restated) | | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Revenue | 30,880 | 533,387 | 914,413 | 588,982 | 42,344 | 644,847 | 1,001,382 | 1,516,813 |
| Gross margin[1] | (8,191) | 141,226 | 356,727 | 304,720 | (172,443) | 275,159 | 511,924 | 717,594 |
| Operating expenses | 817,777 | 671,597 | 716,024 | 879,240 | 801,538 | 748,947 | 760,122 | 886,511 |
| Loss before other items | (825,968) | (530,371) | (359,297) | (574,520) | (973,981) | (473,788) | (248,198) | (168,917) |
| Net loss | (826,484) | (530,130) | (357,280) | (574,370) | (975,583) | (477,755) | (241,979) | (161,510) |
| Loss per common share[2] | (0.014) | (0.01) | (0.006) | (0.009) | (0.012) | (0.006) | (0.003) | (0.002) |

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

[2] Basic and diluted.

Our quarterly revenue, gross margin, loss before other items and net loss results, reflect significant variability, which management deems consistent with a technology company perfecting the execution of its business model. We anticipate future quarterly fiscal results to demonstrate a more consistent trend for revenue, gross margin and eventually overall profitability.

Q3 2017 results showed solid improvement over Q2 2017 and were far superior in all respects to those of the six fiscal quarters up to Q1 2017, which was due to strong revenue growth combined with the Company's success in controlling operating expenses.

Q4 2016 revenue was significantly lower than the trend that had been established in prior quarters of 2016 which was due in part to sales traditionally being slower in Q4 and the fact that orders were received later during the quarter such that installations could not be completed and revenue recognized in the period.

Gross margin recorded in Q4 2016 was negatively impacted by an inventory write-down totaling $179,081 and an accumulation of installation costs associated with several projects.

Operating expenses have been relatively stable between Q4 2015 and Q3 2017, which is due to management's careful allocation of working capital.

## FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

### Summary of Consolidated Statement of Cash Flows

| | Nine months ended June 30 | | |
|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2017 | 2016 | Change |
| Cash used in operating activities | (2,441,400) | (1,792,835) | 36.2% |
| Cash used in investing activities | (303,024) | (31,789) | 853.2% |
| Cash provided by financing activities | 2,453,549 | 1,667,679 | 47.1% |
| **Total change in cash** | **(290,875)** | **(156,945)** | 85.3% |

**Cash used in operating activities**
During the nine months ended June 30, 2017, cash used in operating activities was $2,441,400, up significantly from $1,792,835 from the same period in 2016. The increase is due to a significant investment in inventory in 2017 which contributed $755,435 of the year over year increase in cash used as well as net change in accounts payable of $204,439 and accounts receivable of $183,010 which increases were offset slightly by a smaller net loss for the period, which was $580,536 lower than in 2016.

**Cash used in investing activities**
During the nine months ended June 30, 2017, cash used for investing activities was $303,024, up significantly from $31,789 in the same period of 2016. The increase is due to product development costs for the Company's next generation Harmonizer and furniture and electronic equipment purchases.

**Cash provided by financing activities**
During the nine months ended June 30, 2017, cash provided from financing activities was $2.45 million, up from $1.67 million in 2016. The increase of $0.78 million relates to proceeds from the exercise warrants in 2017, compared with an equity private placement in 2016 for net proceeds of $1.63m.

### Working Capital Items

| (Cdn$, unless noted otherwise) | at June 30, 2017 | at September 30, 2016 | Change |
|---|---|---|---|
| Cash | 841,672 | 1,132,547 | (25.7)% |
| Accounts receivable | 2,188,641 | 504,624 | 333.7% |
| Inventory | 1,008,060 | 469,666 | 114.6% |
| Prepaids | 66,753 | 49,416 | 35.1% |
| **Total current assets** | **4,105,126** | **2,156,253** | 90.4% |
| Trade payables | 484,162 | 401,670 | 20.5% |
| Accrued Liabilities | 361,948 | 221,779 | 63.2% |
| **Total current liabilities** | **846,110** | **623,449** | 35.7% |
| **Working capital** | **3,259,016** | **1,532,804** | 112.6% |

**Liquidity and capital resources measures**

As at June 30, 2017, the Company had cash of $841,672 (September 30, 2016 - $1,132,547), total current assets of $4,105,126 (September 30, 2016 - $2,156,253) and current liabilities of $846,110 (September 30, 2016 - $623,449). As at June 30, 2017, the Company had working capital of $3,259,016 (September 30, 2016 - $1,532,804) an increase of 1,726,212. The increase in working capital is due to proceeds received by the Company from warrant exercises, offset primarily by cash used in operating activities.

Based on working capital as at June 30, 2017, estimated cash requirements for the next twelve months and the Company's ability to timely collect accounts receivable, management believes the Company has sufficient working capital to continue business operations over the ensuing year.

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

**Accounts Receivable**

Accounts receivable at June 30, 2017 was $2,188,641 compared with $504,624 at September 30, 2016, an increase of $1,684,017. The increase was due primarily to the material increase in sales volume in Q3 2017 compared with that in Q4 2016.

**Inventory**

At June 30, 2017 inventory was $1,008,060 compared with $469,666 at September 30, 2016 an increase of $538,394. The increased inventory amount is due to the Company advance purchasing sufficient raw materials to fulfill at least 3-months of growing projected orders and additional amounts for certain parts with long lead times for delivery.

The Company's ability to fulfill customer orders on a timely basis is dependent on carrying an inventory of various components. Management has deemed certain of these components as strategically important and will purchase them in advance of specific customer orders requiring their use to address product lead time building of stock systems for rapid delivery or, either because they require several weeks for delivery to us or a specialty item available only from a limited supplier base.

**Current Liabilities**
Trade payables and accrued liabilities at June 30, 2017 were $484,162 and $361,948 respectively, compared with $401,670 and $221,779 at September 30, 2016.

**Contractual Obligations and Commitments**
On February 9, 2016 the Company entered into an agreement to lease premises in Vancouver, B.C. which requires the following payments in each of the below fiscal periods:

| | |
|---|---|
| 2017 | $121,900 |
| 2018 | $125,240 |
| 2019 | $128,580 |
| 2020 | $131,920 |

The lease payments are subject to changes or increases in additional operating costs generally described as the Company's portion of the landlord's common area charges and property taxes.

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

**Proposed Transactions**
None.

**Outstanding Share Data**

| Class of Security | Number outstanding at September 30, 2016 | Net issued (grants, cancellations, exercises) | Number outstanding at June 30, 2017 | Net issued (grants, cancellations, exercises) | Number outstanding at August 23, 2017 |
|---|---|---|---|---|---|
| Shares[1] | 70,443,946 | 8,307,944 | 78,751,890 | 3,534,368 | 82,286,258 |
| Options | 6,064,496 | 1,711,667 | 7,776,163 | - | 7,776,163 |
| Warrants | 16,806,694 | (8,307,944) | 8,498,750 | (3,534,368) | 4,964,382 |

[1] *The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid.*

**Incentive stock options**
During the nine months ended June 30, 2017, the Company granted 2,335,000 stock options with an exercise price of $0.27 each; 440,000 unvested stock options were forfeited by employees when their employment ended; and 183,333 stock options expired unexercised.

**Warrant exercises**
During the nine months ended June 30, 2017, 8,007,944 warrants with an exercise price of $0.30 each, were exercised for total proceeds of $2,264,716; 458,890 warrants with an exercise price of $0.15 each were exercised for total proceeds of $68,834; and 300,000 warrants with an exercise price of $0.40 were exercised for proceeds of $120,000. Subsequent to June 30, 2017, 3,534,368 warrants with an exercise price of $0.40 were exercised.

**Off-Balance Sheet Arrangements**
The Company does not have any off-balance sheet arrangements.

## RISKS AND UNCERTAINTIES

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. A discussion of certain risks that may affect the Company is included in our annual MD&A.

## RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the nine months ended June 30, 2017 and 2016. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

**Transactions with Key Management Personnel**
During the nine months ended June 30, 2017 and 2016, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), the CFO (Mr. Steve Vanry) and ex-CFO (Mr. Shabir Dhanani):

| | Nine months ended June 30 | |
|---|---|---|
| (Cdn$, unless noted otherwise) | 2017 | 2016 |
| Salaries – R. Buchamer | 150,000 | 150,000 |
| Consulting fees – S. Vanry[1] | 100,479 | 43,203 |
| Salaries – S. Dhanani[2] | - | 25,500 |
| Share based compensation – R. Buchamer | 98,836 | 151,552 |
| Share based compensation – S. Vanry | 13,336 | 17,317 |
| Share based compensation – S. Dhanani | - | 1,150 |
| **Total** | **362,651** | **388,722** |

[1] S. Vanry began working for the Company as CFO on a part-time basis in January 2016.
[2] S. Dhanani resigned as CFO in February 2016, but remains as full-time Controller.

**Transactions with Other Related Parties**

During the nine months ended March 31, 2017 and 2016, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Michael Harcourt, Matt Walker and Dave Guebert):

| | Nine months ended June 30 | |
|---|---|---|
| (Cdn$, unless noted otherwise) | 2017 | 2016 |
| Share based compensation – M. Atkinson | 20,625 | 27,146 |
| Share based compensation – J. Blundell | 5,747 | 7,451 |
| Share based compensation – M. Harcourt | 4,651 | 6,125 |
| Share based compensation – M. Walker | 4,987 | 7,451 |
| Share based compensation – D. Guebert | 11,403 | 7,368 |
| **Total** | **47,413** | **55,541** |

## NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

(i) IFRS 9 - *Financial Instruments*. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities.

(ii) IFRS 15 - *Revenue from contracts with customers.* IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

***Financial risk management objectives and policies***

The Company's financial instruments include cash, receivables, accounts payables, accrued liabilities, and finance fee payable. The risks associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

***Foreign currency risk***
The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At June 30, 2017 the Company has no significant foreign currency denominated financial liabilities, and did not hold any significant foreign currency denominated financial assets.

***Interest rate risk***
The Company is not exposed to significant interest rate risk.

***Credit risk***
Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are believed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company does not believe it is exposed to significant concentration of credit risk.

***Liquidity risk***
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:
· SEDAR at www.sedar.com;
· the Company's website at www.legendpower.com;
· the Company's condensed interim consolidated financial statements for the nine months ended June 30, 2017.

**Approval**

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

On Behalf of the Board of Directors,
"Randy Buchamer"
Randy Buchamer
President, CEO and Director
August 23, 2017