



Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Nine months ended June 30, 2018 and 2017

Dated August 22, 2018

Management's Discussion and Analysis
For the nine months ended June 30, 2018 and 2017
Dated August 22, 2018

ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation of Legend Power Systems Inc. ("Legend" or the "Company"), is prepared as at August 22, 2018, and should be read in conjunction with the Company's condensed interim consolidated financial statements and the accompanying notes for the nine months ended June 30, 2018 and 2017, the audited consolidated financial statements and accompanying notes for the year ended September 30, 2017, as well as Management's Discussion and Analysis and Annual Information Form for the year ended September 30, 2017. The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars. Unless indicated otherwise, information in this MD&A is current as of August 22, 2018.

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

Additional information relevant to the Company can be found on the SEDAR website at www.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

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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 United States has begun with the establishment of a presence in New York City and the identification of up to six other highly prospective regions across the U.S. Each region will include a team comprised of business development, sales, and marketing professionals. 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.

Legend's research and development programs are focused on the creation, rapid development, and delivery of unique feature sets driven by customer feedback. It is anticipated that these feature sets will amongst other benefits, offer greater energy savings in all geographic territories and market verticals along with improved margins for the Company.

BUSINESS AND OPERATIONAL HIGHLIGHTS

Business Highlights (for the three months ended June 30, 2018)

- Record quarterly revenue of \$2.1 million;
- Blended gross profit margin of 49%;
- 39% revenue growth over Q3 of previous year;
- 23 units recognized in revenue.

Operational Highlights

New York

Existing, experienced members of Legend's senior sales staff have been relocated to New York to leverage the groundwork established over the last 6-months by the Company's business development team. Since the beginning of early 2018, business development activities in New York that include education, marketing and advertising, have resulted in relationships with electrical firms, energy consultants, resellers, utility representatives, key influencers and prospective

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customers. The Company has seen meaningful growth in its New York sales funnel and is actively responding to an increasing number of customer requests for site assessments and project implementation proposals.

U.S. Expansion

The Company has identified and is targeting expansion to additional regions in the U.S. including: Maryland / DC, New England, southern California, northern California, the mid-west and the pacific northwest. The new regions were identified based on: utility rates, incentive programs, state-wide energy efficiency resource standards, growth forecasts, and energy efficiency programs. The Company has initiated the hiring of business development and sales personnel for each of the new targeted regions. To further support the U.S. expansion, Legend has engaged a corporate growth consultant to design the Company's channel growth programs with a focus on development of a complete "personalized reseller program" for the Company's planned U.S. reseller network.

Canada Sales and Operations

The Ontario region continued to exhibit meaningful sales growth and yielded strong activity in the Company's sales funnel across multiple verticals. During fiscal Q3 the Company received purchase orders for follow-on orders from three existing customers for a total of 12 units. One of the follow-on orders for 10 units totalled \$931,000, bringing the customer's total purchase of Harmonizers to 19 units. The Company also recorded sales to three first-time customers for a total of 9 units. Two existing customers also placed orders for the Company's new remote metering / analytics feature.

Sales in fiscal Q3 featured purchases by colleges and universities including five Harmonizer systems by an Ontario-based college, totalling \$597,585. This is the Company's seventh sale in the post secondary subset of its Ontario education market vertical, and its third sale in fiscal 2018. Year-to-date, Legend Power's three contracts in this vertical have averaged 4.5 systems and \$520,000. Compared to contracts typically seen in the first half of fiscal 2018, these three contracts generally reflect a greater number of units sold, as well as higher margins.

Product Development

The Company recently completed the installation of remote metering / analytics capability in 30 Harmonizer installations. The test market installs are providing valued insight to the Company's ability to provide its customers with enhanced, real-time data on power performance in their commercial properties and do so on any device with a web browser. The already 'smart' controller is at the core of the Harmonizer's™ ability to assess, then manage incoming voltage levels more cost-effectively in real time. It can now send the data captured from its power meter, to a central Legend database. The system's simple, intuitive user interface then displays key customer metrics including consumption, savings, maintenance status, operational and other parameters directly to their-web enabled device via simple log-in. The remote metering / analytics system refreshes the database in real-time and updates the user interface every minute. Once testing and customer feedback gathering from the 30 test locations is completed, Legend plans to commercialize remote monitoring as an optional, high-margin, add-on feature set available with all new product purchases and as a retrofit for any of the Company's 250+ installations to date.

The Company also recently completed the design of a new 4000 Amp system, which significantly exceeds the capacity of the previously largest system rated at 2500 Amp. The first 4000 Amp system was installed as a spec'd component in the overall electrical infrastructure per the construction of a major Canadian retailer's newest location. This represents the first time that one of Legend's Harmonizers was engineered into the construction of a multi-million-dollar energy unit. The enhanced capacity of the 4000 Amp system provides the Company a strong value proposition for the many prospective customers with buildings exhibiting significantly higher power demand, which Legend was not previously able to offer a solution for.

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Marketing

In May 2018, the Company enhanced its marketing depth with the hire of seasoned marketing professional, Michael Davis. Mr. Davis is leading aspects of various sales-oriented campaigns as well as brand enhancement, and updates for Legend’s website, trademark portfolio and sales collateral library. He has facilitated the Company’s admission to various key trade associations including NESEA and others aligned with target verticals. He is also playing a leading role in the US Expansion initiative with support in the macro strategy, initial reseller program, and overall business support elements.

Working Capital

As at June 30, 2018 the Company had working capital totaling \$14.5 million, up from \$4.1 million at September 30, 2017. The increase in 2018 was due in large part to the \$10.5 million private placement closed in April (see “Private Placement”), exercise of 4,464,382 warrants at a price of \$0.40 each for total proceeds of \$1.8 million, and exercise of 611,993 options at prices ranging from \$0.20 to \$0.30 each for total proceeds of \$180,332. As of June 30, 2018, the Company had \$10.9 million of cash and cash equivalents.

FINANCIAL RESULTS

Financial summary for the three and nine-month periods ended June 30, 2018 and 2017

(Cdn\$, unless noted otherwise)	Three months ended June 30,		
	2018	2017	Change
Revenue	2,112,341	1,516,813	39%
Cost of sales	1,068,469	799,219	34%
Gross margin ¹	1,043,872	717,594	45%
Gross margin % ¹	49%	47%	2%
Operating expenses	(1,222,809)	(886,511)	38%
Adjusted EBITDA ²	(33,359)	(21,912)	(52)%
Net loss	(187,847)	(161,510)	16%

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(Cdn\$, unless noted otherwise)	Nine months ended June 30,		
	2018	2017	Change
Revenue	5,311,630	3,163,042	68%
Cost of sales	3,035,259	1,658,365	83%
Gross margin ¹	2,276,371	1,504,677	51%
Gross margin % ¹	43%	48%	(5)%
Operating expenses	(3,643,112)	(2,395,580)	52%
Adjusted EBITDA ²	(924,521)	(530,973)	(74)%
Net (loss)	(1,377,489)	(881,244)	56%

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

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

Revenue for the third quarter of 2018 was \$2,112,341, a 39% increase from \$1,516,813 in the same period of fiscal 2017. Revenue for the first nine months of fiscal 2018 was \$5,311,630, an increase of 68% from \$3,163,042 in the same period in 2017. The revenue increase in 2018 is due primarily to building awareness of, and interest in, the Company's technology across several market verticals as well as consistently demonstrating reliability and strong energy savings in a growing number of commercial buildings.

Gross margin in the third quarter of fiscal 2018 was 49%, an increase from 47% in the third quarter of fiscal 2017. The improvement in Q3 2018 margin was due to a relative increase in the average system size recognized in revenue as well as a relatively higher system revenue to install services revenue ratio. In the nine months ended June 30, 2018 the Company recorded gross margin of 43%, a decrease from 48% in the nine months ended June 30, 2017. The decrease in the 2018 year-to-date period was due primarily to the comparatively higher relative amount of lower margin installation revenue realized (38% of total revenue compared to 13% in the same period of 2017) and a comparatively higher relative amount of sales in the Company's smaller, lower margin units. We expect that as sales and production volumes increase, average size of systems sold moves closer to the middle of our product line and the impact of our installation margin improvement program continues, gross margin will continue to improve.

Adjusted EBITDA for the third quarter of fiscal 2018 was negative \$33,359, a decrease of 52% from \$21,912 in the third quarter of fiscal 2017. For the nine months ended June 30, 2018 Adjusted EBITDA was negative \$924,521, a decrease of 74% from \$530,973 in the nine months ended June 30, 2017. The decrease in adjusted EBITDA for the comparative periods is the result of lower gross profit margins as discussed above and higher operating expenses as discussed below in Operating Expenses and Other Items.

Net loss for the third quarter of fiscal 2018 was \$187,847, an increase from \$161,510 in the third quarter of 2017. Net loss for the nine months ended June 30, 2018 was \$1,377,489, an increase from \$881,244 in the nine months ended June 30, 2017.

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Operating Expenses and Other Items

(Cdn\$, unless noted otherwise)	Three-months ended June 30,		
	2018	2017	Change
Salaries and consulting fees	718,675	497,275	44%
General and overhead	165,053	156,231	6%
Professional fees	88,795	25,000	255%
Warranty provision	88,510	61,000	45%
Share-based compensation	79,152	95,573	(17)%
Bad debt	48,943	-	n/a
Amortization and depreciation	17,483	51,432	(66)%
Product development	16,198	-	n/a
Total operating expenses	1,222,809	886,511	38%

(Cdn\$, unless noted otherwise)	Nine-months ended June 30,		
	2018	2017	Change
Salaries and consulting fees	2,203,916	1,359,933	62%
General and overhead	685,339	479,452	43%
Share-based compensation	349,765	210,180	66%
Professional fees	141,702	99,265	43%
Warranty provision	86,829	97,000	(10)%
Product development	83,106	-	n/a
Bad debt	48,943	-	n/a
Amortization and depreciation	43,512	149,750	(71)%
Total operating expenses	3,643,112	2,395,580	52%

Total operating expenses for the quarter ended June 30, 2018 increased to \$1,222,809 up from \$886,511 in same period of 2017. Total operating expenses for the nine months ended June 30, 2018 increased to \$3,643,112 up from \$2,395,580 in the nine months ended June 30, 2017. The increase in operating expenses experienced in both comparative periods is partially due to the significant investments the Company is making to support its U.S. expansion plan, the costs of which impact several of the expense categories below. Details of the primary components of operating expenses are as follows:

- Significant Increases in salaries and consulting fees is associated with the addition of 10 net new staff members since the prior year period. The expansion of our team is the result of the Company's growth in both existing and new geographical markets. In the fiscal year-to-date the Company has added personnel as to; Sales 4; Operations

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4; Marketing 1; and General and Admin 1. The Company also incurred recruiting and severance costs which added to the increase in the current fiscal year. In the previous year comparative periods, certain salaries were capitalized to development costs, which added to the year over year increases reported. Salaries and consulting fees for the third quarter of 2018 were \$718,675, up from \$497,275 in the same period of 2017, and year to date costs were \$2,203,916 up from \$1,359,933 in the same period of 2017.

- General and overhead costs for the third quarter of 2018 were \$165,053, up from \$156,231 in the same period of 2017, and year to date costs were \$685,339 up from \$479,452 in the same period of 2017. The increase in costs in the both periods of fiscal 2018 was due primarily to higher office related costs and growth in costs associated with sales and business development focused travel, with the Company's expansion in Toronto and New York.
- Professional fees for the third quarter of 2018 were \$88,795 a significant increase from \$25,000 in the third quarter of 2017, and year to date professional fees were \$141,702 a 43% increase from \$99,265 in the same period of 2017. The increased professional costs experienced in fiscal 2018 were due to higher audit and legal fees from increased operations and US expansion compared to the comparative period of fiscal 2017.
- Share-based compensation expense for the third quarter of 2018 was \$79,152, a decrease from \$95,573 in the quarter of 2017, and year to date expense was \$349,765 up from \$210,180 in the same period of fiscal 2017. Share-based compensation expense is attributable to grants of incentive stock options to employees, officers, directors and consultants, and is expensed in relation to the Fair Value and vesting periods associated with the options granted, including past years grants. Variations in the comparative periods is due to the number of options vesting in each period and the Fair Value of options granted. During the three and nine months ended June 30, 2018, a total of 420,000 (2017 - nil) and 720,000 (2017 - 2,335,000) stock options, respectively, were granted to directors and employees.
- The increase in total operating expense was also impacted by development costs of \$16,198 for the third quarter of fiscal 2018 (2017 - \$nil), and \$83,106 for the nine months ended June 30, 2018 compared to \$Nil in the nine months ended June 30, 2017 when certain of these costs were capitalized.
- Warranty provision of \$86,829 for the nine months ended June 30, 2018 (2017 - \$97,000) is due to additional 63 units sold in the period. For the three months ended June 30, 2018, the additional warranty provision was \$88,510, and \$61,000 for the three months ended June 30, 2017. The Company provides a 10-year warranty with the sale of its Harmonizers. The Company's calculation of warranty provision is based on estimations and assumptions related to the need for replacement of certain parts of the Harmonizers in the future.
- Amortization and depreciation costs for the third quarter of 2018 were \$17,483, down from \$51,432 in the third quarter of 2017, and year to date 2018 amortization and depreciation costs were \$43,512 down from \$149,750 in 2017. The decrease is due to the fact that no amortization of patent costs was recorded during fiscal 2018 as they were fully amortized in fiscal 2017, which was offset slightly by additional depreciation on recent equipment purchases and product development amortization which started in the third quarter of fiscal 2018.

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Quarterly Trends

(Cdn\$, unless noted otherwise)

	2016	2017				2018		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	42,344	644,847	1,001,382	1,516,813	1,065,714	1,282,707	1,916,582	2,112,341
Gross margin ¹	(172,443)	275,159	511,924	717,594	150,661	433,507	798,992	1,043,872
Operating expenses	790,080	748,947	760,122	886,511	1,127,367	1,178,176	1,242,127	1,222,809
Loss before other items	(668,784)	(473,788)	(248,198)	(168,917)	(976,706)	(744,669)	(443,135)	(178,937)
Net loss	(860,925)	(477,755)	(241,979)	(161,510)	(965,443)	(747,328)	(442,314)	(187,847)
Loss per common share ²	(0.015)	(0.006)	(0.003)	(0.002)	(0.012)	(0.009)	(0.005)	(0.002)

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

² Basic and diluted.

While the Company again in the most recent quarter recorded the highest quarterly revenue to date and relatively low net loss and loss per share, net income did not increase proportionately due to increased personnel and general and overhead costs. The increased costs were primarily the result of investments in US expansion initiatives, internal installation team capacity, as well marketing initiatives.

While in Q2 F2018 the Company recorded its highest quarterly revenue to date, 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. One source of variability has been a seasonal affect which in recent history has had a downward impact on revenue. We anticipate future quarterly fiscal results to demonstrate a more consistent trend for revenue, gross margin and eventually overall profitability.

As anticipated, cost of sales and operating costs did also significantly increase in Q2 2018 and were higher than all previous quarters as unit sales increased and the company incurred additional personnel and overhead costs associated with building out its team.

Q1 2018 revenue, and gross margin were roughly in line with the average of the prior three fiscal quarters. Operating costs however were higher in Q1 2018 than all previous quarters as the company incurred additional personnel and overhead costs associated with establishing a presence in New York.

Q4 2017 revenue was lower than Q3 due in most part to the seasonality effects associated with our top vertical. Gross margin was also generally lower during Q4 2017 due to adjustments applied to inventory which negatively impacted cost of goods sold as well as a proportionately larger amount of lower margin install revenue recognized during the period.

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

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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 and the associated revenue could not be completed and 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.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

(Cdn\$, unless noted otherwise)	Nine months ended June 30,		Change
	2018	2017	
Cash used in operating activities	(1,681,350)	(2,441,400)	(31)%
Cash used in investing activities	(89,494)	(303,024)	(70)%
Cash provided by financing activities	11,549,530	2,453,549	371%
Total change in cash	9,778,686	(290,875)	3,462%

Cash used in operating activities

During the nine months ended June 30, 2018, cash used in operating activities was \$1,681,350, down from \$2,441,400 for the nine months ended June 30, 2017. The decrease in cash used in operating activities is due primarily to changes in working capital items which required cash expenditures of \$843,635 for 2018 year to date period compared to \$2,017,087 in the same period of 2017.

Cash used in investing activities

During the nine months ended June 30, 2018, cash used for investing activities was \$89,494, down from \$303,024 in the same period of fiscal 2017. The decrease is due to fact that during the fiscal 2017 year to date a total of \$243,082 of product development costs were capitalized and therefore included in investing activities versus all being expensed in the same period of current fiscal year.

Cash provided by financing activities

During the nine months ended June 30, 2018, cash provided from financing activities was \$11,549,530, a 371% increase from \$2,453,549 in the same period of fiscal 2017. The significant increase was due to proceeds from the Offering and over-allotment option completed in April 2018 (see “Working Capital - Private Placement”).

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Working Capital Items

(Cdn\$, unless noted otherwise)	at June 30, 2018	at September 30, 2017	Change
Cash	10,916,910	1,160,127	841%
Accounts receivable	1,307,744	1,745,030	(25)%
Due from customers on contract	1,736,590	892,062	95%
Inventory	1,366,580	1,010,276	35%
Prepays and deposits	163,969	84,693	94%
Total current assets	15,491,793	4,892,188	217%
Trade payables	634,578	592,760	7%
Accrued Liabilities	292,039	184,942	58%
Due to related parties	19,642	-	n/a
Total current liabilities	946,259	777,702	22%
Working capital	14,545,534	4,114,486	253%

Liquidity and capital resources measures

As at June 30, 2018, the Company had cash and cash equivalents of \$10,916,910 (September 30, 2017 - \$1,160,127), total current assets of \$15,491,793 (September 30, 2017 - \$4,892,188) and current liabilities of \$946,259 (September 30, 2017 - \$777,702). As at June 30, 2018, the Company had working capital of \$14,545,534 (September 30, 2017 - \$4,114,486). An increase of over \$10.4 million which is due primarily to the net proceeds of \$9,583,445 from the Offering and over-allotment option closed in April 2018 (see "Working Capital – Private Placement").

Based on working capital as at June 30, 2018, 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, 2018 was \$1,307,744 compared with \$1,745,030 at September 30, 2017, a decrease of \$437,286. The Company's cash collection cycle is typically longer than most due to the varying nature of customer scheduling constraints, and the multi-step process associated with installation and commissioning of our technology; all of which is completed prior to final invoicing of a customer.

Due from Customers on contract

Due from customers on contract amounts of \$1,736,590 at June 30, 2018 and \$892,062 at September 30, 2017, relates to work performed on product sales where revenue has been recognized, however the amounts are still to be invoiced to the

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customers on completion of installation based on contract terms. The 95% increase due from customers is due to increased sales in the nine months ended June 30, 2018 of 79 harmonizers sold compared to 56 in the same period of last year.

Inventory

At June 30, 2018 inventory was \$1,366,580 compared with \$1,010,276 at September 30, 2017. The 35% increase in inventory is primarily due to the need to carry sufficient materials to meet higher projected unit sales in 2018 and the Company's strategy to advance the purchase sufficient materials to fulfill at least 3-months of projected orders. The Company's ability to fulfill customer orders on a timely basis is dependent on carrying an inventory of various components, in particular those components with lengthy lead times for delivery.

Prepays

At June 30, 2018 prepaid items were \$163,969 compared with \$84,693 at September 30, 2017. This increase of 94% is due primarily to rent deposits for the offices in Vancouver, Toronto and New York, pursuant to new lease agreements discussed below in "Contractual Obligations and Commitment" section; as well as prepaid commercial and director's liability insurance.

Current Liabilities

Trade payables and accrued liabilities at June 30, 2018 were \$634,578 and \$292,039 respectively, compared with \$592,760 and \$184,942 at September 30, 2017. The increase in trade payables is due primarily to amounts owing to a third-party contractor for partially completed installations, inventory purchases and a generally higher level of activity in the Company. The increase in accrued liabilities is primarily due to an increase in accrued year-end audit and filing fees and commission accrued to a public sector sourcing partner for product sales.

Contractual Obligations and Commitments

On December 4, 2017 the Company entered into an agreement to lease premises in Toronto, Ontario. On March 22, 2018 the Company entered into an agreement to lease premises in Vancouver, B.C. The lease agreements require the following total remaining payments in each of the below fiscal years:

2018	\$42,717
2019	\$145,539
2020	\$139,879
2021	\$70,775

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.

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Outstanding Share Data

Class of Security	Number outstanding at September 30, 2017	Net issued (private placement, grants, cancellations, exercises)	Number outstanding at June 30, 2018	Net issued (grants, cancellations, exercises)	Number outstanding at August 22, 2018
Shares ¹	82,786,258	18,232,375	101,018,633	444,170	101,462,803
Options	8,259,496	(411,160)	7,848,336	(806,669)	7,041,667
Warrants	4,464,382	(4,464,382)	-	-	-
Broker Warrants	-	703,410	703,410	-	703,410

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, 2018, the Company: granted 720,000 options with an average exercise price ranging from \$0.68 to \$0.92 each; 611,993 options were exercised for proceeds of \$180,332; and 519,167 options were forfeited. Subsequent to June 30, 2018 and to the date of this report: 444,170 options were exercised for proceeds of \$119,251; and 362,499 options expired or were forfeited.

Warrant exercises

During the nine months ended June 30, 2018, 4,464,382 warrants with an exercise price of \$0.40 each, were exercised for total proceeds of \$1,785,754, leaving no warrants outstanding.

Broker warrants

During April 2018, as part of the Offering the Company issued 703,410 Broker Warrants (see "Working Capital – Private Placement"). Each Broker Warrant entitles the holder to purchase one Share at \$0.80 per share to April 2020.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. The risks and uncertainties discussed in the Company's Annual Information Form dated February 15, 2018 and MD&A dated January 24, 2018, remain unchanged.

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RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three and nine months ended June 30, 2018 and 2017. 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 three and nine months ended June 30, 2018 and 2017, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

(Cdn\$, unless noted otherwise)	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Salaries – R. Buchamer	56,250	50,000	168,750	150,000
Consulting fees – S. Vanry	40,696	35,028	116,585	100,479
Share based compensation – R. Buchamer	96,777	30,553	133,481	98,836
Share based compensation – S. Vanry	6,688	7,688	25,041	13,336
Total	200,411	123,269	443,857	362,651

Transactions with Other Related Parties

During the three and nine months ended June 30, 2018 and 2017, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Matt Walker and Dave Guebert, Cosimo La Porta⁽¹⁾, Michael Harcourt⁽²⁾):

(Cdn\$, unless noted otherwise)	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Share-based compensation	18,000	19,287	53,526	47,413
Total	18,000	19,287	53,526	47,413

1) Cosimo La Porta was appointed director of the Company on April 12, 2018.

2) Michael Harcourt ceased to be a director on April 9, 2018.

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 is currently assessing the impact of adopting the new standards.

- (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.
- (iii) IFRS 16 - *Leases*, was issued which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. The standard replaces IAS 17, *Leases*, and is effective for annual periods beginning of after January 1, 2019 with earlier application permitted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, accounts payable and amounts due to related parties. The carrying values of these financial instruments approximate their fair values because of their short term nature. A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market data as far possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

Risk management

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

Foreign currency risk

The Company is exposed to the US foreign exchange fluctuation risks through its US subsidiary operations and expenses incurred in US dollars. As at June 30, 2018 all of Company's liquid assets and liabilities were held in Canadian dollars and US dollars. A significant change in the USD exchange rate relative to the Canadian dollar could affect the Company's results of

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operations. A change in the value of US dollar by 10% relative to the Canadian dollar would affect the Company's net loss for the nine months ended June 30, 2018 by \$27,998 (2017 - \$nil).

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the nine months ended June 30, 2018 ranged from 0.5% to 1.6% (2017 – 0.5% to 1.4%). A 1% change in interest rates would affect the Company's results of operations for the nine months ended June 30, 2018 by approximately \$55,876 (2017 - \$9,871). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are 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. At June 30, 2018, receivables from four customers accounted for 34%, 26%, 13% and 11%, respectively of the Company's receivable balance for a total of 84% in aggregate. Receivables from three customers accounted for 11%, 13%, and 16%, respectively of the Company's receivable balance for a total of 40% in aggregate at September 30, 2017.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. As at June 30, 2018 the Company had cash and cash equivalents of \$10,916,910 to settle its current liabilities of \$946,259.

EBDITA RECONCILIATION

We are disclosing Adjusted EBITDA as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before; interest, income taxes, amortization, non-cash stock-based compensation and foreign exchange gains and losses, as well as unusual non-operating items such as bad debt. Warranty expense is no longer included in the Adjusted EBITDA calculation, as such historical amounts have been updated.

(Cdn\$, unless noted otherwise)	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Net loss	(187,847)	(161,510)	(1,377,489)	(881,244)
Add / (deduct):				
Foreign exchange	21,308	(5,169)	31,705	492
Interest income	(12,398)	(2,238)	(20,957)	(10,151)
Amortization and depreciation	17,483	51,432	43,512	149,750
Share based compensation	79,152	95,573	349,765	210,180
Bad debt	48,943	-	48,943	-
Adjusted EBITDA	(33,359)	(21,912)	(924,521)	(530,973)

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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-month periods ended June 30, 2018 and 2017;
- the Company's consolidated financial statements for the years ended September 30, 2017 and Annual Information Form for the year ended September 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 22, 2018