

Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS Three and nine months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

August 24, 2022



Management's Discussion and Analysis
For the three and nine months ended June 30, 2022 and 2021
Dated August 24, 2022



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 24, 2022, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2022 and accompanying notes. 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 24, 2022.

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.

COVID-19

In response to COVID-19's impact on economic activity and its potential to slow the Company's growth prospects, between Q2 of fiscal 2020 through to Q1 of fiscal 2021, management pro-actively implemented a cost reduction and continuity plan. The cost cutting measures reduced overall expenditures during the 9-month period by approximately \$1 million.

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Despite management's efforts, the Company's business was and could continue to be adversely impacted by the effects of COVID-19. Since early March 2020, several significant measures have been implemented in Canada, the United States, and the rest of the world by authorities in response to the increased impact from COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the ability of third parties to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business. In addition, the significant outbreak of a contagious disease has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada and the United States), resulting in a potential economic downturn that may negatively impact the Company's financial position, financial performance, cash flows, and its ability to further raise capital. The Company continues to operate its business and complete installations of SmartGATE and SmartGATE Insights; however, a number of our customer's commercial buildings have been inaccessible due to COVID-19 protocols. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact of COVID-19 on the Company's operations cannot be reasonably estimated at this time. For greater detail see "Public Health Crises" below in the Risks and Uncertainties section of this MD&A.

OUR BUSINESS

Legend Power® Systems Inc. ("Legend Canada") and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) ("Legend U.S.") and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is a global leader in onsite energy management technology. The Company markets a patented device (the "SmartGATE™") which, combined with SmartGATE Insights™ (a metering and analytics package) is a single-solution energy management platform that enables owners/operators of light-industrial and commercial buildings to both diagnose and then overcome the building-level impacts of electric grid volatility which results in a less than optimal power supply. These power quality challenges are common to utilities around the world, and are getting worse with increased renewable energy sources like wind and solar. Most buildings (80-90%) on a power grid receive inconsistent electrical voltage from their power utilities as a counter-measure to mitigate the challenges of line-loss across a feeder length and the variable nature of power demand. That variability is further exacerbated by the inconsistent production and availability of renewable energy sources added to the supply. Voltage higher or lower than a building's equipment specifications negatively impacts the lifespan or availability of electrical equipment, creates unnecessary power consumption, increases the potential for 'brown-outs', and can cause full or partial equipment failures. This results in higher monthly utility bills, premature equipment failure, a larger than necessary environmental footprint for the affected building, unpredictable power availability, and potential tenant/occupant issues. All of these issues represent increased expenses, lower profits, and lower valuations. Legend utilizes a proprietary and patented technology platform to first assess a building's inbound power, then regulate and optimize the building's voltage and manage its total power consumption. SmartGATE's modular and extensible design, particularly its software-driven controller, enables it to address issues today, and anticipates addressing many other energy management and power quality issues identified by the marketplace. By ensuring a consistent and optimized voltage level on each individual phase of service and managing or mitigating poor quality (including over/under voltage, voltage sags and swells, phase imbalance and power factor) across all loads, SmartGATE™ ensures customers receive consistent power availability, reduce their electrical and maintenance costs, while maintaining and enhancing asset values and brand integrity. SmartGATE's intelligent controller also captures constant, real-time data flow on up to 200 parameters aggregated every minute and made available as data analytics insights to building management via the cloud. During initial assessments for prospective customers, this same data can be combined into an Energy Impact Report to inform and prioritize implementation decision-making.

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Vision, Offerings and Strategy

The Company's vision statement is - "To be recognized as a global leader in intelligent active power management technology".

The Company currently markets two complementary offerings:

- SmartGATE Insights™ Service - measures the high impact attributes of electricity and then applies an array of industry-standard calculations to determine what effects they are having on a building. Findings are summarized and communicated to building owners via a Power Impact Report, with an easy-to-understand score-card of relative building health, an assessment of the hidden financial and human costs, and finally a custom solution based on Legend's turnkey technologies.
- SmartGATE™ Platform - uses patented technology to correct the power issues uncovered by SmartGATE Insights. The most recently announced version of SmartGATE™ Platform, (released in early 2021) has the smallest footprint in the industry, a more affordable price point, and better energy efficiency. It is uniquely suitable for a large array of commercial as well as light-industrial applications, addressing many issues more effectively than anything management has seen in the marketplace to date. Its modular design enables it to address issues today, and future upgrades will address other energy management issues identified by the marketplace.

During the quarter, the Company also initiated a review to evaluate recurring revenue opportunities and has implemented offerings for maintenance and feature enhancements.

A key aspect of the Company's growth strategy is partnering with resellers, particularly energy service companies (ESCO) in the U.S. as it establishes significant new sales channels and revenue streams for the Company. The partnerships provide Legend with instant access to decades-long, trusted relationships in an expanded set of market verticals with little or no marketing, sales or infrastructure costs. Legend continues to secure partnering opportunities with channels, particularly U.S. ESCO's. The ESCO market in the U.S. is a US\$15 billion a year business that bundles energy conservation measures for large public entities such as government organizations and others.

Another core element of Legend's business strategy (whether through direct or channel partner sales) is to focus on enterprise-level sales of a portfolio solution. Leading customer engagements with SmartGATE Insights Service as a means to analyze, and assess buildings to quantify financial risk and loss due to poor power quality, enables a fact-based decision to prioritize SmartGATE Platform deployment to fix or mitigate identified issues. This approach lowers customer cost for initial engagement, shortens time to SmartGATE Platform purchase, increases likelihood of multi-unit SmartGATE purchases, and compresses the sales cycle time.

Legend intends to continue to leverage both direct and distribution sales channels to aggressively expand key influencer product adoption and market share in the U.S. and Canada. Key Influencers such as ESCOs are defined as individuals or organizations in a target market with whom Legend has proven its solution to be effective, and have developed relationships that actively endorse the product's performances, value, and applicability to other potential customers within their sphere of influence.

Legend's U.S. expansion is ongoing with a primary presence in New York City and indirect presence in a growing number of other major U.S. metropolitan areas by virtue of customer engagement driven by our channel partner networks.

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Legend's research and development programs are focused on the creation, rapid development, and delivery of unique feature sets driven by customer feedback. This focus has resulted in enhanced product solutions that are being readied and sold now. It is anticipated that these feature sets will, in addition to current energy savings benefits, eliminate organizational risk and loss caused by a range of power quality issues with cost-effective solutions not currently available in the Company's target markets.

The United States General Services Administration (GSA) Green Proving Ground program selected eight technologies to evaluate as part of this year's program, including the SmartGATE™ Systems technology offered by Legend Power Systems®. Under the program, GSA will work with the U.S. Department of Energy's Oak Ridge National Laboratory to validate the technology and conduct measurement and verification. Oak Ridge Labs is widely recognized for its technical leadership and expertise in building level energy efficiency.

The program aims to drive down operational costs in federal buildings and help lead market transformation through the deployment of new technologies. GSA operates approximately 1,800 federally owned buildings.

Legend Power System's SmartGATE™ technology was also selected for the City of New York's Department of Central Administrative Service's IDEA program, which is similar to the GSA Green Proving Ground program. The IDEA program is moving towards the end of the evaluation phase.

INDUSTRY AND CORPORATE UPDATE

Building Energy Efficiency for Decarbonization

Buildings are responsible for [36%](#) of all carbon dioxide emissions in the United States.

According to the U.S. Energy Information Administration ("EIA"), in 2021 about 93%¹ (4.267 quadrillion Btus) of the energy consumed by America's commercial buildings was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 77.336 quadrillion Btus² during the same period, meaning that the commercial sector accounted for about 5.5% of America's total fossil fuel consumption.

State and municipal governments have added energy efficiency to building codes, and SmartGATE Insights helps keep building owners in compliance, especially in municipal jurisdictions where energy audits are mandated. New York City is particularly stringent about greenhouse gas emissions, having enacted its [Climate Mobilization Act](#). New York City claims that 71% of greenhouse gas emissions are due to commercial buildings and has established emissions caps for buildings over 25,000 square feet. The City of Seattle claims that building energy is responsible for [over a third](#) of the city's climate emissions, and [Senate Bill 5293](#) (now in Senate committee) proposes maximizing energy efficiency standards for buildings. In Washington, D.C., the [Clean Energy DC Omnibus Amendment Act of 2018](#) has also set emissions standards for 50,000 square foot buildings in 2021, scaling down to 10,000 square foot buildings by 2026.

Energy efficiency and Decarbonization action extends beyond governments. Since January 2020, we've seen several announcements from major businesses about energy efficiency actions and carbon footprints, including:

- [Microsoft](#) seeks to be carbon negative by 2030 and plans a shift to rely 100% on renewable energy by 2025.
- [Blackrock](#) is shifting to investing in companies that require less fossil fuels.

¹ [Commercial Energy Sector Consumption](#), EIA

² [April 2022 Monthly Energy Review](#), EIA

- [Morgan Stanley](#) building upon its \$800 million impact investing platform by closing a \$110 million fund focused on climate solutions.
- [S&P Global](#) launched its S&P Global ESG Scores on over 7,300 companies, representing 95% of global market capitalization.
- [Apple](#) announced goals to reduce and offset emissions along its entire supply chain and in the production of its iPhones and other devices, in under ten years.
- Amazon announced its US\$2 billion [Climate Pledge Fund](#) to support the development of sustainable and decarbonizing technologies and services.

Decarbonization of the commercial building sector will require three macro changes:

- An increase in renewable power generation, which includes distributed energy resources (wind, solar, storage etc.) deployed throughout the grid in a decentralized manner.
- Electrification of equipment traditionally reliant on fossil fuels (Electric Vehicles, Electric Heat Pumps).
- Continued effort to increase the energy efficiency of commercial buildings. Smarter and efficient technologies will continue to replace existing equipment within facilities to reduce a buildings energy use intensity and reduce demand for electricity.

This applies to new green construction as well as retrofitting existing buildings with equipment that optimizes power systems such as HVAC, lighting, controllers and office equipment. In the past, quantifying energy efficiency in commercial buildings has been difficult. For example, how do you measure the financial losses from a 3-year-old electrical elevator motor that ran hot and was undetected until it burnt out years before anticipated end of life? Legend Power's SmartGATE Insights can detect building power issues so that owners can repair problems early, optimizing the efficiency of electrical equipment and systems. If you can't measure a problem, you can't fix it, and SmartGATE Insights has the data to make informed decisions about commercial building energy efficiency.

How Legend Power's SmartGATE Can Help

A grid more reliant on renewables is inherently less stable than a centralized grid reliant on large fossil fuel generation. The reliability and quality of power is expected to decline as renewable generation proliferates. Additionally, equipment which drives efficiency for the electrification movement is less tolerant of power challenges and is prone to fail or malfunction when sub-standard power is supplied. The US\$73 billion in proposed U.S. grid upgrades in the U.S. Infrastructure Bill will likely compound these issues as more utility-scale renewable energy sources are connected. Additionally, equipment which drives efficiency for the electrification movement is less tolerant of power challenges and is prone to fail or malfunction when sub-standard power is supplied. As the global economy moves towards decarbonization and electrification, grid instability is expected to be pervasive, which should drive strong demand for Legend Power's solutions.

Declining power quality and the requirement for reliable high-quality power as an enabler for efficiency and electrification will continue to limit decarbonization efforts in the building sector. Legend's SmartGATE platform is the only proven solution that addresses this large-scale challenge.

SmartGATE enables a lower carbon building strategy by correcting common power challenges associated with renewable power sources while increasing a buildings overall efficiency and resiliency for decades to come.

History of the Company

Founded in 1987, Legend Power Systems is an electrical energy conservation company that markets an energy management system called SmartGATE. SmartGATE consists of SmartGATE Insights, a diagnostic tool that provides metering and analytics across 38 power quality parameters, and SmartGATE, patented technology that corrects the power issues uncovered by Insights.

The vision behind the current SmartGATE platform was driven by CEO Randy Buchamer, who joined as CEO in March 2012 to refocus the organization. Mr. Buchamer was Managing Director, Operations for The Jim Pattison Group and held executive roles with Mohawk Oil Company, where he restructured the firm and completed a successful turnaround. Part of Mr. Buchamer's focus was to concentrate on a single market (Ontario), prove out the technology and then expand the model to other geographies, specifically the U.S., a market several times the magnitude of Ontario.

In 2017, the Company doubled revenue in the Ontario market and then raised \$10 million in a bought deal financing at \$0.80 to expand the product portfolio and expand into the New York and Pacific Northwest markets in the U.S.

Legend continues to expand the New York market and building relationships with the key market participants, including the building owners, utilities and ESCOs in the regions. During Q2 of fiscal 2022, the Company commenced a pilot program with a municipality, with an annual US\$750m budget dedicated towards energy saving solutions.

Prior to the introduction of SmartGATE Insights, commercial building owners could neither effectively identify nor measure power issues caused by the electrical grid. After analyzing feedback from customers and key participants across all markets, the Company announced a new and improved SmartGATE platform and introduced SmartGATE Insights data collection and analytics tool in fiscal Q1 2020 (period ending December 31, 2019). SmartGATE Insights changed that, providing real-time analytics across entire property portfolios, clearly identifying electrical waste and the potential for premature wear or damage to electrical equipment. This visibility has helped to accelerate the sales cycles for several SmartGATE platforms and increased the likelihood of multi-unit orders.

Quarterly Update

During Q3 of fiscal 2022, the Company launched the new [Partner Portal](#) and the [True Cost of Power Estimator](#) self-serve platforms. Additionally, the Company launched a new partner marketing program which provides automated energy data logging and reporting via the Partner Portal. The reports help to validate the current state of the Customer's building, allowing for further strategic conversations.

The Company has continued to invest in its sales team as well as procurement of long-lead time materials and expanded capacity in readiness for a ramp-up in Gen3 SmartGATE demand. Investments have been timed to minimize impact on cash flow by placing orders only when needed based on current market lead times. Opportunities for volume pricing discounts have been realized by way of scheduled deliveries of partial quantities, and orders for readily available materials are being postponed but monitored to optimize cash. These investments were highlighted in the Company's June 10, 2021 prospectus as the primary use of proceeds in connection with the successful \$10 million bought deal financing. During this quarter the Company continued to focus on onboarding, training, and streamlining of operations and procedures. Our sales order process has evolved to improve on-time delivery and lead time performance with the addition of tighter controls and the implementation of key performance indicators (KPIs). SmartGATE installation costs have been improved with the development of an installation cost model that predicts cost based on system configuration and building characteristics. This has allowed Legend to control and manage contractor estimates, reducing costs and creating consistent standards of installation. Continuous improvement of the MRP, BOM, inventory management and the factory layout have all contributed

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to faster turns and greater efficiencies. We are now able to predict trends in future BOM costs, enabling us to focus on materials with the greatest opportunity for BOM cost reduction, in turn, increasing our margin potential.

The Company's channel sales team, now 2 individuals, has grown reseller and ESCO relationships, furthering adoption of both Insights and SmartGATE solutions. Target markets and reseller channels continue to respond positively to Legend's solutions and combined opportunities. As of the date of this MD&A, the Company is engaged with more than 50 organizations interested in becoming Legend selling partners. The channel sales team continued development of partner support tools for the partner portal including marketing support, sales support, technical support, and deal registration.

Also, in Q3, the Company commissioned the first Gen3 SmartGATE system and continued an aggressive build initiative to fill its backlog. The Company shipped twelve of its next-generation SmartGATE systems in this quarter and is now preparing to produce fifty more systems for upcoming quarters. Due to component deliveries, our revenue recognized during the quarter was lower than what was anticipated.

Having the Gen3 SmartGATE system reach commercial production, the engineering team continues to work on the system's remote commands functionality which allows the Company to communicate remotely with Gen3 SmartGATE units in the field and is the foundation of a "remote upgrade" feature. In addition, the engineering department worked on cost reduction strategies including identifying alternative suppliers and design optimization. Several cost-reduced designs are either in development or have been realized, savings will be realized once current stocks are depleted.

In response to the continued increase in costs and on-going logistic disruptions, the Company has also increased selling prices. In addition, management initiated cost cutting measures to reduce overall expenditures to be realized in the upcoming months.

FINANCIAL RESULTS

Financial summary for the three and nine months ended June 30, 2022 and 2021

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	Change	2022	2021	Change
Revenue	1,026,412	1,272,192	(19)%	1,539,205	2,520,562	(39)%
Cost of sales	977,765	926,609	6%	1,395,749	1,884,413	(26)%
Gross margin ¹	48,647	345,583	(86)%	143,456	636,149	(77)%
Gross margin % ¹	5%	27%	(83)%	9%	25%	(63)%
Operating expenses	1,542,575	1,285,769	20%	4,398,528	3,431,307	28%
Adjusted EBITDA ²	(1,237,352)	(706,011)	75%	(3,560,766)	(2,091,643)	70%
Net loss	(1,492,181)	(946,616)	58%	(4,255,072)	(2,795,158)	52%

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 details.

Revenue for the third quarter of 2022 was \$1,026,412 compared with \$1,272,192 in the same quarter of fiscal 2021. The lower revenue during Q3 of fiscal 2022 was primarily due to delayed product deliveries to customers as a result of inventory shortages caused by supply chain challenges and to a lesser extent, the production ramp up required for the Gen3 version of SmartGATE.

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Gross margin in the third quarter of fiscal 2022 was 5%, compared with 27% in same quarter of fiscal 2021. The comparative decrease in gross margin experienced during Q3 of fiscal 2022 was due to higher cost of goods sold driven by widespread supply chain challenges, COVID-19 supplier surcharges, increased installation costs, component cost increases and an inventory provision. In response to the continued increase in costs and on-going logistic disruptions, the Company has increased selling prices and implemented a new payment plan, and long term gross margins will significantly improve in the future.

The Company's operating expenses for the third quarter of fiscal 2022 were \$1,542,575, up from \$1,285,769 in the same quarter of fiscal 2021. The primary cause for the increase was higher salaries and consulting costs as the Company expanded its channel sales team and the fact that internal cost cutting measures were still in place during Q3 of the prior fiscal year.

Adjusted EBITDA for the third quarter of fiscal 2022 was negative \$1,237,352, compared with negative \$706,011 in the same quarter of fiscal 2021.

Net loss for the third quarter of fiscal 2022 was \$1,492,181, compared with a net loss of \$946,616 in the same quarter of fiscal 2021. Lower gross margins and increased operating costs in Q3 of fiscal 2022 compared with the same quarter of fiscal 2021 resulted in a higher net loss.

Significant Operating Expenses

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	Change	2022	2021	Change
Salaries and consulting	837,189	588,816	42%	2,637,651	1,490,392	77%
General and overhead	142,170	124,573	14%	445,250	365,840	22%
Selling costs	124,489	59,500	109%	312,148	153,442	103%
Product development	136,154	155,886	(13)%	347,747	418,094	(17)%
Professional fees	34,637	54,607	(37)%	118,555	196,855	(40)%
Share-based compensation	154,398	194,292	(21)%	412,427	564,857	(27)%
Warranty expense (recovery)	10,121	60,919	(83)%	(115,883)	80,657	(244)%

- Salaries and consulting fees for the third quarter of fiscal 2022 of \$837,189, were up significantly from \$588,816 during the same quarter of fiscal 2021. The increase in Q3 of fiscal 2022 was due primarily to the investment and build-out of our US sales team.
- General and overhead costs for the third quarter of fiscal 2022 were \$142,170, an increase from \$124,573 during the same quarter of fiscal 2021. The Company, has seen an increase in general and overhead costs due to increased costs to our supplier and vendors caused by COVID-19. The Company continues to monitor general and overhead costs closely, and actively sources more cost effective options where available.
- Selling costs for the third quarter of fiscal 2022 were \$124,489, up from \$59,500 during the same quarter of fiscal 2021. The Company invested in a New York city based proof of concept based opportunity, with significant potential.
- Product development costs for the third quarter of fiscal 2022 were \$136,154, a decrease from \$155,886 during the same quarter of fiscal 2021. The engineering team continues to work on the systems' remote commands functionality which allows the Company to communicate remotely with Gen3 SmartGATE units in the field.

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- Professional fees for the third quarter of fiscal 2022 were \$34,637 down significantly from \$54,607 in the same quarter of fiscal 2021 due in most part to tax preparation fees incurred in Q3 of fiscal 2021 relating to the financing in the prior fiscal year. Professional fees consist of legal fees, audit fees and tax preparation costs.
- Share-based compensation expense arises from 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 year's grants. This expense for the third quarter of fiscal 2022 was \$154,398, compared to \$194,292 in the same quarter of fiscal of 2021. The decrease in Q3 of fiscal 2022 was due to a smaller number of options vesting during the period compared to the same quarter of fiscal 2021.
- Amortization and depreciation costs for the third quarter of fiscal 2022 were \$49,014 similar to \$43,215 in the same quarter of fiscal 2021.
- Warranty provision expense for the third quarter of fiscal 2022 was \$10,121 compared with \$60,919 in the same quarter of fiscal 2021. The primary cause of the warranty provision expense was due to the Company installing additional units in Q3, and their warranty beginning. The Company provides a 3-year or 10-year warranty with the sale of its SmartGATE™ systems. The Company's calculation of warranty provision is based on estimations and assumptions related to the need for replacement of certain components of SmartGATE™ in the future. Warranty provision is calculated each reporting period based on actual warranty costs incurred and an updated projection of all future warranty claims.

Quarterly Trends

(Cdn\$, unless noted otherwise)

	Fiscal 2020	Fiscal 2021				Fiscal 2022		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	346,697	766,226	482,144	1,272,192	193,254	169,220	343,573	1,026,412
Gross margin ¹	65,756	202,046	88,520	345,583	(64,898)	37,248	57,561	48,647
Operating expenses	951,264	1,077,392	1,068,146	1,285,769	1,181,493	1,319,476	1,536,477	1,542,575
Operating loss	(885,508)	(875,346)	(979,626)	(940,186)	(1,246,391)	(1,282,228)	(1,478,916)	(1,493,928)
Net loss	(769,444)	(873,792)	(982,829)	(946,616)	(1,034,529)	(1,229,961)	(1,479,789)	(1,492,181)
Loss per common share ²	(.010)	(.008)	(.010)	(.009)	(.010)	(.011)	(.110)	(.013)

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

² Basic and diluted.

Our quarterly revenues do naturally fluctuate, which management deems consistent with a technology company perfecting the execution of its business model while transitioning through a high growth stage. The Company's sales cycle has historically been up to 12 months which exposes reported revenue to unevenness related to customer buying cycles. This unevenness in revenue has historically been seasonal and most pronounced during the Company's fourth quarter.

Our gross margin on a quarterly basis is variable and reflects the mix of product versus install revenue and any inventory adjustments that are tied to changes in component pricing, technology, and product offering/design or write-downs. The negative margins in Q4 of fiscal 2021 was due in most part to a charge of \$117,134 taken for obsolete and slow moving inventory attributable to components used to assemble earlier versions of SmartGATE. The decrease in gross margin experienced during Q2 of fiscal 2021 was due primarily to preferential pricing on sales of previous generation SmartGATE inventory and follow-on install costs related to installations realized in prior quarters. During Q3 of 2022, lower gross margins were the result of higher production costs for the new Gen 3 units, increased component costs, and a charge taken for obsolete and slow moving inventory. The Company continues to work diligently in sourcing lower cost alternatives to components and improving the efficiency in producing the new Gen 3 units.

Between Q4 of fiscal 2020 and Q2 of fiscal 2021, operating costs were lower due to the Company's expense curtailment program in response to COVID-19. Q3 of fiscal 2021 through to Q3 of fiscal 2022 saw operating expenses increase due to the fact that internal cost cutting measures and COVID-19 government subsidies had ended.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

(Cdn\$, unless noted otherwise)	Nine months ended June 30,		
	2022	2021	Change
Cash used in operating activities	(4,511,888)	(1,532,989)	194%
Cash provided by (used in) investing activities	(62,808)	(22,046)	185%
Cash provided by (used in) financing activities	(118,263)	9,612,995	(101)%
Net change in cash and cash equivalents	(4,692,959)	8,057,960	(158)%

Cash used in operating activities

During the nine months ended June 30, 2022, cash used in operating activities was \$4,511,888 up significantly from \$1,532,989 in the same period of fiscal 2021. The increased use of cash in operations year to date in fiscal 2022 was due primarily to an increase in net loss of approximately \$1,400,000 combined with a significant outflow of cash associated with investment in inventory for Gen3 SmartGATE components and an increase in cash used to settle accounts payable and accrued liabilities.

Cash used in investing activities

During the nine months ended June 30, 2022, cash used in investing activities was \$62,808, compared with cash used for investing activities of \$22,046 in fiscal 2021. The increase was primarily due to the investment in developing the partner portal and website in fiscal 2022.

Cash provided by financing activities

During the nine months ended June 30, 2022 cash provided by financing activities was negative \$118,263 compared with \$9,612,995 during the same period in fiscal 2021. The decrease was mainly due to the \$10m financing completed in the same quarter in fiscal 2021.

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Working Capital Items

(Cdn\$, unless noted otherwise)	As at June 30, 2022	As at September 30, 2021	Change
Cash and cash equivalents	4,683,174	9,287,141	(50)%
Trade and other receivables	491,117	562,290	(13)%
Due from customers on contract	378,959	62,457	507%
Prepaid expenses and deposits	361,513	135,101	168%
Inventory	1,331,604	1,274,263	4%
Total current assets	7,246,367	11,321,252	(36)%
Account payable	455,546	634,655	(28)%
Accrued liabilities	292,273	355,780	(18)%
Deferred revenue	12,778	12,589	2%
Lease liability	132,452	112,176	18%
Warranty provision	35,790	58,563	(39)%
Total current liabilities	928,839	1,173,763	(21)%
Working capital	6,317,528	10,147,489	(38)%

Liquidity and capital resources measures

As at June 30, 2022 the Company had cash and cash equivalents of \$4,683,174 (September 30, 2021 - \$9,287,141), total current assets of \$7,246,367 (September 30, 2021 - \$11,321,252) and current liabilities of \$928,839 (September 30, 2021 - \$1,173,763). As at June 30, 2022, the Company had working capital of \$6,317,528 (September 30, 2021 - \$10,147,489).

Based on working capital as at June 30, 2022, estimated cash inflows and requirements for fiscal 2022, management believes the Company has sufficient working capital to continue business operations into the first half of fiscal 2023. In the event that revenues increase or additional funding is realized, the Company's ability to operate and grow the business will be extended.

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.

Trade Receivables

Accounts receivable at June 30, 2022 was \$491,117 down from \$562,290 at September 30, 2021. 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.

Due from Customers on contract

Due from customers on contract of \$378,959 at June 30, 2022 and \$62,457 at September 30, 2021, relates to systems delivered and/or installation services provided for sales transactions where revenue has been recognized, but customers have not yet been invoiced.

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Inventory

Inventory at June 30, 2022 was \$1,331,604, a 4% increase from \$1,274,263 at September 30, 2021. The Company's strategy is to advance 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 inventory of various components, in particular those components with lengthy lead times for delivery.

Current Liabilities

Trade payables and accrued liabilities at June 30, 2022 were \$455,546 and \$292,273 respectively, compared with \$634,655 and \$355,780 at September 30, 2021. Trade payables and accrued liabilities tend to fluctuate with no particular pattern.

As of October 1, 2019, the Company adopted IFRS-16 Leases, resulting in the recording of a current lease liability which at June 30, 2022 was \$132,452, compared with \$112,176 at September 30, 2021.

At June 30, 2022 the current portion of warranty provision was \$35,790 compared with \$58,563 at September 30, 2021.

Contractual Obligations and Contingencies

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.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2021	Net issued (equity offering, grants, cancellation, exercises or forfeitures)	Number outstanding at June 30, 2022	Net issued (grants, cancellations, exercises)	Number outstanding at August 24, 2022
Shares ¹	117,542,303	26,668	117,568,971	-	117,568,971
Options	8,198,146	541,667	8,739,813	(33,333)	8,706,480
Warrants	7,716,800	-	7,716,800	-	7,716,800

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, 2022, 2,800,000 stock options were granted, 26,668 were exercised, 1,520,000 expired, and 711,665 stock options were forfeited. Subsequent to June 30, 2022 and to the date of this report a total of 33,333 were forfeited.

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 MD&A dated January 25, 2021, remain unchanged.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the nine months ended June 30, 2022 and 2021. 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

The following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), ex-CFO (Mr. Steve Vanry), new CFO (Ms. Florence Tan), and COO (Mr. Paul Moffat):

(Cdn\$, unless noted otherwise)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Salaries - R. Buchamer	65,065	112,500	190,065	231,250
Salaries - P. Moffat	50,000	-	76,538	-
Consulting fees - F. Tan	19,500	-	39,000	-
Consulting fees - S. Vanry	-	66,250	47,128	154,125
Share based compensation - R. Buchamer	46,687	54,634	122,390	109,753
Share based compensation - P. Moffat	11,279	-	13,947	-
Share based compensation - F. Tan	1,837	-	3,286	-
Share based compensation - S. Vanry	-	30,686	(8,481)	61,695
Car allowance - R. Buchamer	2,400	2,400	7,200	4,800
Total	196,768	266,470	491,073	561,623

Transactions with Other Related Parties

The following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell⁽²⁾, Matt Walker⁽²⁾, Dave Guebert, Cosimo La Porta⁽¹⁾ and Jonathan Lansky⁽³⁾):

(Cdn\$, unless noted otherwise)	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Share-based compensation	56,360	88,343	128,895	133,841
Total	56,360	88,343	128,895	133,841

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

² Jamie Blundell and Matt Walker ceased to be directors on June 20, 2019.

³ Jonathan Lansky was appointed director of the Company on October 8, 2019.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, due from customers on contract, accounts payable and amounts due to related parties. The carrying values of these financial instruments are not based on fair value but approximate their fair values because of their short-term nature. The PPP loan is classified at amortized cost and accounted for using the effective interest rate method. Its carrying value approximates fair value as the interest rate used to discount the instrument approximates incremental borrowing rates available to the Company.

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 dollar versus Canadian dollar exchange rate fluctuation risks through operations of its US subsidiary and expenses incurred in US dollars. As at June 30, 2022 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 operations. A change in the value of US dollar by 10% relative to the value of the Canadian dollar would have affected the Company's results of operations for the nine months ended June 30, 2022 by approximately \$154,000 (2021 - \$111,000).

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk due to its potential impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the nine months ended June 30, 2022 averaged 0.26% (2021 – 1.15%). A 1% nominal change in interest rates would have affected the Company's results of operations for the nine months ended June 30, 2022 by approximately \$43,856 (2021 - \$10,715). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are deemed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At June 30, 2022, trade receivables from two customers accounted for 38% and 53%, respectively of the Company's trade receivables balance for a total 91% in aggregate. At September 30, 2021, trade receivables from two customers accounted for 11% and 79%, respectively of the Company's trade receivables balance for a total 90% in aggregate. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at June 30, 2022 (September 30, 2021 – nominal).

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Concentration risk

During the three months and nine months ended June 30, 2022, two customers accounted for 37% and 63% (2021 - two customers accounted for 24% and 76%), and two customers accounted for 52% and 42% (2021 - three customers accounted for 10%, 16% and 62%), respectively, of the Company's revenues.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2022 the Company had cash and cash equivalents of \$4,683,174 (September 30, 2021 – \$9,287,141) to settle its current liabilities of \$928,839 (September 30, 2021 – \$1,173,763).

EBITDA 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, depreciation, accretion, non-cash stock-based compensation and foreign exchange gains and losses. Management believes that this supplementary financials measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends. We believe the Adjusted EBITDA to be useful in providing an indication of the operational results of our business.

(Cdn\$, unless noted otherwise)	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	Change	2022	2021	Change
Net loss	(1,492,181)	(946,616)	58%	(4,201,931)	(2,803,237)	50%
Add/(deduct):						
Foreign exchange	54,403	3,961	1273%	108,701	34,320	217%
Interest income	(2,986)	(863)	246%	(11,895)	(9,433)	26%
Amortization and depreciation	49,014	43,215	13%	131,932	121,850	8%
Share based compensation	154,398	194,292	(21)%	412,427	564,857	(27)%
Adjusted EBITDA	(1,237,352)	(706,011)	75%	(3,560,766)	(2,091,643)	70%

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found at SEDAR at www.sedar.com or the Company's website at www.legendpower.com, in;

- the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2022 and 2021; and
- the Company's consolidated financial statements for the years ended September 30, 2021 and 2020

Approval

Management's Discussion and Analysis
For the three and nine months ended June 30, 2022 and 2021
Dated August 24, 2022



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 24, 2022

