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Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS Three months ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Dated February 26, 2019



Management's Discussion and Analysis
For the three months ended December 31, 2018 and 2017
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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 February 26, 2019, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended December 31, 2018, consolidated financial statements and the accompanying notes for the year ended September 30, 2018, and Company's 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 February 26, 2019.

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. ("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™") designed be an energy management platform to help owners of commercial and industrial buildings overcome grid instability challenges common to utilities around the world. Its modular design enables it to address issues

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today, and anticipates addressing many other energy management issues identified by the marketplace. Most buildings on a power grid receive inconsistent electrical voltage 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. That variability is further exacerbated by the addition of Renewable Energy sources into the supply and its inconsistent production and availability. Voltage higher or lower than a building's equipment specifications negatively impacts the lifespan or availability of electrical equipment, creates unnecessary power consumption, and potential for 'brown-outs'. 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 resulting tenant/occupant issues. Legend utilizes a proprietary and patented technology platform to regulate a building's voltage and manage its total power consumption. By ensuring a consistent and optimized voltage level across all loads, the SmartGATE™ helps customers ensure consistent power availability, reduce their electricity bills and maintenance costs, while maintaining and enhancing asset values and brand integrity. SmartGATE's intelligent controller also captures constant, real-time data flow on a myriad of parameters, providing analytics to building management via wireless online portal.

Vision and Strategy

The Company's vision statement is - "To be recognized as a global leader in onsite energy management technology". The Company's product, the SmartGATE™, is an energy management platform that becomes the hub for managing and accommodating for the variable power levels that come from the grid. As the first point of contact for electricity 'after the meter', SmartGATE is the bridge between the incoming electricity, and all the building loads it is distributed to. It not only manages supply to optimal levels, it has real-time data insight to everything in the process. While early sales were made on the basis of average energy savings of 4% to 8% for buildings in North America such as property management companies, big box retail, office buildings, schools, hospitals, airports, multi-unit residential, hotels, etc., the continued addition to the platform of energy management capabilities requested by customers will add revenue and change the nature of the sale. The typical payback period on an average system currently 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, Seattle and DC, and the identification of up to three 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.

OPERATIONAL HIGHLIGHTS

The Company's primary focus for the past five months has been addressing the sales challenges that became apparent in late Q4 F2018. Outside consultants with sales and business development expertise were engaged to undertake a complete review of the Company's operations, processes and people in these key areas in both New York and Toronto. The consultants are Skaled Consulting, LLC ("Skaled"), a sales consulting and strategy firm and Lido Energy Partners, LLC ("Lido") an energy-sector focused business development consultancy.

In December 2018 the consultants provided the Company with a detailed growth plan including a hiring agenda and onboarding plan as well as a sales playbook for sales training and development. The onboarding plan outlines a systemic and repeatable process to ensure development of consistent, high-end sales capabilities.

In mid-January 2019, the primary consultant representing Skaled, Mike Cioce, agreed to join Legend as VP Sales and Marketing. Mike immediately began implementing the changes recommended in the Skaled report he authored, including reshaping our sales team. New hires were chosen with a focus on mature individuals with demonstrated sales success in the energy industry over a career of 10 and 20 years which represents a material upgrade for the Company.

The Company has also allocated \$1 million for "top of funnel" marketing initiatives including almost \$400k to outsourced lead generation. The Company's objective is to grow our sales funnel by 8x during 2019 to support our growth objectives and to ensure our sales people are focused on selling as opposed to prospecting. Additionally, the Company has initiated digital marketing and email programs to leverage increased lead generation.

The Company's business development efforts in the Pacific Northwest are resulting in establishing the required relationships within the energy efficiency ecosystem which management accepts are the precursors to achieving sales success. We expect to recognize our first showcase accounts in this region during 2019. The Company has also established a presence in the Washington DC / Baltimore region which effort is in the early stages of creating awareness of our Company and its energy management platform.

OUTLOOK

The Company's sales cycle has typically been between 6 and 9 months thus the Company's Q1 F2019 below target revenue results are likely the byproduct of the lack of sales activity identified in Q4 F2018. It's also probable that due to the length of the sales cycle, the full impact of the recently implemented sales team changes may not be realized in the Company's quarterly results until H2 F2019.

Management is confident that the recent changes made to its sales operations, processes and people along with the recently initiated lead generation program will have a material positive impact on sales and be a catalyst for renewed momentum in Toronto and realization of the significant growth opportunity in the U.S.

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FINANCIAL RESULTS

Financial summary for the three months ended December 31, 2018 and 2017.

(Cdn\$, unless noted otherwise)	Three months ended December 31,		
	2018	2017 (reclassified) ¹	Change
Revenue	403,400	1,282,707	(69)%
Cost of sales ²	76,832	803,923	(91)%
Gross margin ³	326,568	478,784	(32)%
Gross margin % ³	81%	37%	44%
Operating expenses	(1,484,843)	(1,229,868)	21%
Adjusted EBITDA ⁴	(1,048,352)	(635,537)	(65)%
Net loss	(1,091,332)	(747,328)	46%

¹Previous year columns have been reclassified to conform with the presentation for the three months ended December 31, 2018.

²Components of Cost of Sales has been adjusted to better conform with typical practice; namely, sales commissions and selling fees are now accounted for separately under "Selling Costs".

³ Gross margin is based on a blend of both equipment and installation revenue.

⁴ Adjusted EBITDA is a non-IFRS financial measure. See EBDITA Reconciliation for discussion.

Revenue for the first quarter of fiscal 2019 was \$403,400, a 69% decrease from \$1,282,707 in the first quarter of fiscal 2018. All of the revenues in both periods are attributable to Legend Canada.

Gross margin in the first quarter of fiscal 2019 was 81%, an increase from 37% in first quarter of 2018. The significantly higher gross margin experienced in the first quarter of 2019 was primarily due to the results of a physical inventory count completed on December 31, 2018, which led to an increase in inventory valuation in the amount of \$138,891, materially reducing cost of goods sold reported during Q1 2019. All gross margin was attributable to Legend Canada in both comparative periods.

Adjusted EBITDA for the first quarter of fiscal 2019 decreased by 65% to negative \$1,048,352, from negative \$635,537 in the first quarter of the prior year. We expect this trend to continue during implementation of the Company's US growth strategy throughout 2019 as significant investment in the build out of new regions takes place.

Net loss for the first quarter of fiscal 2019 was \$1,091,332, an increase of 46% from \$747,328 in the first quarter of 2018. Net loss attributable to the Company's two operating segments, Canada and U.S. are explained below.

- i) Legend Canada incurred a loss of \$681,211 in the first quarter of fiscal 2019, virtually unchanged compared to \$696,765 in the first quarter of fiscal 2018. The smaller comparative loss in the first quarter of 2019 was due primarily to reallocation of a number of employees to focus on the Company's U.S. growth strategy which was offset by a reduced gross margin and generally higher general and overhead costs.

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- ii) Legend U.S. incurred a net loss of \$410,121 in the first quarter of 2019 compared with \$50,563 in the first quarter of prior year. The increased loss is due to significant investments in salaries for ongoing business development and sales activities in NY and attendance at U.S. trade shows. See Operating expenses and other items – Legend U.S. Results below.

The Company's operating expenses for the first quarter ended December 31, 2018 were \$1,484,843, up from \$1,229,868 in the first quarter of 2018. This trend of higher operating expenses is expected to continue during this phase of the Company's U.S. expansion and then level off when the optimum number of U.S. regions has been established (currently projected at a total of 6 including NY).

The costs of significant investment in U.S. expansion impacted several of the Company's expense categories below. Details of the primary components of operating expenses are presented in the table below and are explained in terms of the two operating segments.

Operating Expenses and Other Items

(Cdn\$, unless noted otherwise)	Three-months ended December 31,		
	2018	2017 (reclassified)	Change
Salaries and consulting fees	892,959	731,764	22%
General and overhead	300,108	162,453	85%
Selling costs	100,621	111,787	(10)%
Product development	11,311	66,908	(83)%
Professional fees	34,607	24,000	44%
Share-based compensation	95,089	97,093	(2)%
Amortization and depreciation	36,541	12,039	203%
Warranty provision	35,314	17,409	103%
Foreign exchange (gain) loss	(21,707)	6,415	(438)%
Total operating expenses	1,484,843	1,229,868	21%

Legend Canada – Operating Expenses:

- Salaries and consulting fees for the first quarter of 2019 were \$584,548, down from \$690,254 in the same quarter of fiscal 2018. The lower salaries and consulting fees during the first quarter of 2019 was due to reallocation of a number of employees to focus on the Company's U.S. growth strategy.
- General and overhead costs for the first quarter of 2019 were \$192,816, up from \$152,313 in the same quarter of 2018. The increase in general and overhead costs in the first quarter of 2019 was due primarily to increased sales and business development focused travel, higher office related costs, as well as marketing and filing fees.

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- Selling costs in the first quarter of 2019 were \$100,621, down from \$111,787 in the same quarter of 2018. Selling costs is comprised primarily of sales commissions and fees paid to the Ontario Education Collaborative Marketplace ("OECM"). Selling costs during Q1 2019 were high relative to sales during the period due to a difference in timing between sales commissions earned and recognition of the related revenue.
- Share-based compensation expense (all attributable to Legend Canada) is due 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. This expense for the first quarter of 2019 was \$95,089, compared to \$97,093 in the same quarter of 2018. During the three months ended December 31, 2018, no stock options were granted, and in the three months ended December 31, 2017, 200,000 stock options were granted to directors and employees.
- Product development costs were \$11,311 for the first quarter of fiscal 2019, down from \$66,908 in the first quarter of 2018. The primary reason for the decrease was the capitalization of the majority of product development related costs to intangible assets, which in the comparative period were expensed.
- Warranty provision for the first quarter of 2019 was \$35,314, compared with \$17,409 in the same quarter of 2018. The Company provides a 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 parts 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.
- Amortization and depreciation costs for the first quarter of 2019 were \$36,247, up from \$12,039 in the same quarter of 2018. The increase is due to additional depreciation of recent equipment purchases and amortization of product development costs which was initiated in the third quarter of fiscal 2018.

Legend U.S. – Operating Expenses:

- Salaries and consulting fees for the first quarter of 2019 were \$308,411 up from \$41,510 in the same quarter of 2018. The comparative increase was due primarily to the hiring of six new staff members during the first quarter of fiscal 2019 as well as costs associated with the transfer of two Legend Canada sales team staff from Toronto to New York in fiscal 2018. The increase in salaries and consulting fees are as a result of staffing up for the Company's U.S. growth strategy.
- General and overhead costs for the first quarter of 2019 were \$107,292, up from \$10,140 in the same quarter of 2018. The startup and growth of U.S. operations in the second half of fiscal 2018 has resulted in a significant increase in general and overhead costs comprised of business development focused travel, marketing, rent, and office expenses.

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Quarterly Trends

Certain amount for the first three quarters of fiscal 2017, and fiscal 2018 have been reclassified to conform with the presentation adopted in the fourth quarter of 2018.

(Cdn\$, unless noted otherwise)

	Fiscal 2017			Fiscal 2018				Fiscal 2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Reclassified							
Revenue	1,001,382	1,516,813	1,065,714	1,282,707	1,916,582	2,112,341	1,283,433	403,400
Gross margin ¹	578,572	815,957	177,642	478,784	996,585	1,310,259	205,181	326,568
Operating expenses	826,770	984,874	1,149,350	1,229,868	1,439,720	1,489,196	1,465,944	1,484,843
Operating loss	(248,198)	(168,917)	(976,706)	(751,084)	(443,135)	(178,937)	(1,260,763)	(1,158,275)
Net loss	(241,979)	(161,510)	(965,443)	(747,328)	(442,314)	(187,847)	(1,181,896)	(1,091,332)
Loss per common share ²	(0.003)	(0.002)	(0.012)	(0.009)	(0.005)	(0.002)	(0.011)	(0.011)

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 9 months which exposes reported revenue to unevenness related to customer buying cycles. This unevenness in revenue has historically been seasonal and most pronounced during Q4. The significant decrease in Q1 2019 revenue was due to factors outlined above in Operational Highlights.

Our gross margin on a quarterly basis is variable and reflects the mix of product versus install revenue and any inventory adjustments/write-offs that are tied to changes in component pricing, technology, and product offering/design. During Q4 2018 and 2017 the significantly lower gross margins experienced were primarily the result of inventory valuation procedures which impacted cost of goods sold and a proportionately higher amount of low margin installation revenue recorded during those quarter. In Q1 2019 the cost of goods sold was impacted by an increase in inventory valuation as the result of the December 31, 2018 physical inventory count, resulting in an unusually high reported gross margin.

Operating costs steadily increased between Q2 2017 through to Q2 2018 during a period of growth in demand for our technology and the Company's staffing up to meet this demand. During the period between Q3 2018 and Q1 2019 operating expenses have been stable in spite of the Company's expansion to the U.S.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

(Cdn\$, unless noted otherwise)	Three months ended December 31,		Change
	2018	2017	
Cash used in operating activities	(338,928)	(901,747)	(62)%
Cash used in investing activities	(112,257)	(24,113)	(365)%
Cash provided by financing activities	-	1,798,185	n/a
Total change in cash	(451,185)	872,325	(152)%

Cash used in operating activities

During the three months ended December 31, 2018, cash used in operating activities was \$338,928, down from \$901,747 for the three months ended December 31, 2017. The decrease in cash used in operating activities is due in most part to approximately \$1.1 million in cash received from customers for accounts receivable, offset by an increased loss during the period of \$344,004 and a net change in accounts payable of \$376,954.

Cash used in investing activities

During the three months ended December 31, 2018, cash used for investing activities was \$112,257, an increase from \$24,113 in the same quarter of fiscal 2018. The increase is mostly due to increase in product development costs of \$125,490 compared to \$nil in the comparative period, offset by higher interest income received of \$25,835 compared to \$3,756 in the first quarter of fiscal 2018 and by purchase of equipment of \$12,602 in the first quarter of fiscal 2019 compared to \$27,869 in the first quarter of fiscal 2018.

Cash provided by financing activities

During the first quarter of fiscal 2019, there was no cash generated from financing activities, while in the same period of 2018 there were 4,464,382 warrants exercised for total proceeds of \$1,785,753 and 47,830 stock options exercised for proceeds of \$12,432.

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Working Capital Items

(Cdn\$, unless noted otherwise)	at December 31, 2018	at September 30, 2018	Change
Cash	9,613,434	10,046,366	(4)%
Trade receivable	1,324,086	1,573,298	(16)%
Due from customers on contract	465,291	1,361,126	(66)%
Inventory	1,632,112	1,066,592	53%
Prepays and deposits	86,614	192,603	(55)%
Total current assets	13,121,537	14,239,985	(8)%
Trade payables	500,528	501,138	0%
Accrued Liabilities	70,871	79,665	(11)%
Warranty provision	38,630	40,863	(5)%
Total current liabilities	610,029	621,666	(2)%
Working capital	12,511,508	13,618,319	(8)%

Liquidity and capital resources measures

As at December 31, 2018, the Company had cash and cash equivalents of \$9,613,434 (September 30, 2018 - \$10,046,366), total current assets of \$13,121,537 (September 30, 2018 - \$14,239,985) and current liabilities of \$610,029 (September 30, 2018 - \$621,666). As at December 31, 2018, the Company had working capital of \$12,511,508 (September 30, 2018 - \$13,618,319).

Based on working capital as at December 31, 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 December 31, 2018 was \$1,324,086 down from \$1,573,298 at September 30, 2018 (both amounts 100% attributable to Legend Canada). 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.

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Due from Customers on contract

Due from customers on contract of \$465,291 at December 31, 2018 and \$1,361,126 at September 30, 2018 (both amounts 100% attributable to Legend Canada), relates to work performed relating to product sales where revenue has been recognized, but customers have not yet been invoiced. The 66% decrease in amounts due from customers on contract is due to a large number of invoices issued in respect of installations completed since September 30, 2018.

Inventory

Inventory at December 31, 2018 was \$1,632,112, a 53% increase from \$1,066,592 at September 30, 2018. The increase in inventory is primarily attributable to; i) the results of a physical inventory count completed on December 31, 2018, which resulted in an increase in inventory valuation of \$138,891, materially reducing cost of goods sold reported during the quarter and ii) the slow-down in sales experienced during Q1 2019. All inventory is attributable to Legend Canada at both comparative period ends. 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.

Prepays

At December 31, 2018 prepaid amounts totaled \$86,614, down from \$192,603 at September 30, 2018. An amount of \$68,320 (September 30, 2018 - \$177,071) of prepaids was attributable to Legend Canada and \$18,294 (September 30, 2018 - \$15,532) to Legend U.S. This decrease is primarily due to completion and expensing of deferred installation costs on a project which at September 30, 2018 were \$49,079, reallocation of \$52,452 from prepaids to inventory for completion of manufacturing of parts sub-assemblies by a contractor, as well as expensing of prepaid insurance policies. Significant items included in prepaids consist of; rent deposits for the offices in Vancouver, Toronto and New York, and prepaid insurance policies.

Current Liabilities

Trade payables and accrued liabilities at December 31, 2018 were \$500,528 and \$70,871 respectively, compared with \$501,138 and \$79,665 at September 30, 2018. The decrease in accounts payable and accrued liabilities is due primarily to payment of outstanding amounts associated with audit and filing fees. Trade payables are comprised of \$452,568 (September 30, 2018 - \$480,708) attributable to Legend Canada and \$47,960 (September 30, 2018 - \$20,430) attributable to Legend U.S. An amount of \$32,221 of trade payables in Legend Canada is for amounts due to related parties (September 30, 2018 - \$28,915). Accrued liabilities is comprised of \$68,825 (September 30, 2018 - \$61,263) attributable to Legend Canada accruals for audit, filing, GST / HST owing and deferred revenues, while \$2,046 (September 30, 2018 - \$17,402) is attributable to Legend U.S. accruals primarily for consulting and tax filing. At December 31, 2018 current portion of warranty provision was \$38,630 (September 30, 2018 - \$40,863) which is all attributable to Legend Canada.

Contractual Obligations and Commitments

On December 4, 2017 the Company entered into an agreement to lease premises in Toronto, Ontario and on March 22, 2018 the Company entered into an agreement to lease premises in Vancouver, B.C. When taken together the lease agreements require the following minimum lease payments in each of the below fiscal years:

2019	\$151,117
2020	\$143,399
2021	\$70,775

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

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During the three months ended December 31, 2018 an amount of \$49,531 (2017 - \$23,338) was recorded to rent expense for the monthly lease payments.

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.

The Company has a management services agreement with the CFO of the Company that contains severance provisions whereby termination without cause could result in additional costs to the Company unless re-negotiated or settled otherwise.

Proposed Transactions

None.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2018	Net issued (equity offering, grants, cancellations, exercises)	Number outstanding at December 31, 2018	Net issued (grants, cancellations, exercises)	Number outstanding at February 26, 2019
Shares ¹	101,462,803	-	101,462,803	380,000	101,842,803
Options	7,113,333	(42,500)	7,070,833	(765,000)	6,305,833
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 three months ended December 31, 2018, 42,500 options were forfeited. Subsequent to December 31, 2018 and to the date of this report a total of 380,000 options were exercised and 385,000 options expired or were forfeited.

Broker warrants

During April 2018, as part of the Offering the Company issued 703,410 Broker Warrants. Each Broker Warrant entitles the holder to purchase one Share at \$0.80 per share until April 2020.

Off-Balance Sheet Arrangements

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

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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 23, 2019, remain unchanged.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three months ended December 31, 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 months ended December 31, 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)	2018	2017
Salaries – R. Buchamer	56,250	56,250
Consulting fees – S. Vanry	52,187	32,562
Share based compensation – R. Buchamer	16,441	136,592
Share based compensation – S. Vanry	8,220	25,677
Total	133,098	251,081

Transactions with Other Related Parties

During the three months ended December 31, 2018 and 2017, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Matt Walker, Dave Guebert, Cosimo La Porta⁽¹⁾, and Michael Harcourt⁽²⁾):

(Cdn\$, unless noted otherwise)	2018	2017
Share-based compensation	36,905	19,622
Total	36,905	19,622

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

IFRS 16 – *Leases*. In January 2016, IFRS 16, was issued which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. IFRS 16 now prescribes the accounting policies and disclosures applicable to leases for both lessees and lessors. The standard replaces IAS 17, *Leases*, and is effective for annual periods beginning of after January 1, 2019 with earlier application permitted. The Company will adopt the standard effective October 1, 2019, and it expects its facility leases to be recorded on the balance sheet as a result of the transition and is in the process of quantifying the impact.

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.

Risk management

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

Foreign currency risk

The Company is exposed to the U.S. dollar versus Canadian dollar exchange rate fluctuation risks through operations of Legend U.S. and expenses incurred in U.S. dollars. As at December 31, 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 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 three months ended December 31, 2018 by approximately \$26,000 (2017 - \$5,000).

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 three months ended December 31, 2018 ranged from 0.5% to 1.6% (2017 – 0.5% to 1.6%). A 1% change in interest rates would have affected the Company's results of operations for the three months ended December 31, 2018 by approximately \$94,000 (2017 - \$20,000). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are deemed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At December 31, 2018, receivables from four customers accounted for 34%, 17%, 17% and 14% respectively of the Company's receivable balance for a total of 82%

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in aggregate. Receivables from three customers accounted for 60%, 14%, and 14%, respectively of the Company's receivable balance for a total of 88% in aggregate at September 30, 2018.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. As at December 31, 2018 the Company had cash and cash equivalents of \$9,613,434 to settle its current liabilities of \$610,029.

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, non-cash stock-based compensation and foreign exchange gains and losses. Warranty expense is no longer included in the Adjusted EBITDA calculation, as such historical amounts have been updated. 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 December 31,	
	2018	2017
Net loss	(1,091,332)	(747,328)
Add / (deduct):		
Foreign exchange	(21,707)	6,415
Interest income	(66,943)	(3,756)
Amortization and depreciation	36,541	12,039
Share based compensation	95,089	97,093
Adjusted EBITDA	(1,048,352)	(635,537)

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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 three months ended December 31, 2018 and 2017;
- the Company's consolidated financial statements for the years ended September 30, 2018 and 2017;
- the Company's 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
February 26, 2019