# Legend Power Systems Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Six-months ended March 31, 2016**

(Expressed in Canadian Dollars)

Dated May 25, 2016

## ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation is prepared as at May 25, 2016, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes for the three and six-months ended March 31, 2016 and 2015 of Legend Power Systems Inc. ("Legend" or the "Company"). The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all comparative information provided is in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars.

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

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

## CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

## OUR BUSINESS

Legend Power Systems Inc. and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is an electrical energy conservation company that markets a patented device designed to provide energy savings through Conservation Voltage Reduction (CVR) to commercial and industrial customers. Many customers receive higher voltage levels than required from electrical utilities at certain points of the grid as the utilities attempt to reduce line loss across the feeder length. Higher than nominal voltage can affect the lifespan of electrical equipment and result in higher monthly utility bills. Legend utilizes a proprietary method that embodies the CVR concept. Legend's solution lowers demand and consumption through regulating voltage to maximize the efficiency of individual buildings. By delivering the optimal voltage to the user, the Electrical Harmonizer helps customers reduce their electricity bills and maintenance costs while increasing the life of electrical equipment.

**Vision and Strategy**

The Company's vision statement is - "To be the world's leading provider of electrical energy consumption reduction technologies". The Company's product, the Harmonizer, provides power savings to North American facilities in the 4% to 8% range, which is a fairly 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 2 to 3 years, making it a highly competitive energy saving option, especially with increasing energy costs in most jurisdictions.

Legend's business plan is to maintain a focus and concentration on proving out the business model in the Province of Ontario followed by expansion into the eastern United States in fiscal 2016. It is management's view that successful expansion into the United States or any other new market is dependent on three primary criteria 1) high, local electrical power costs; 2) financial incentives for customers to purchase our technology; and 3) endorsement of our technology by "Key Influencers", such as local utilities and electrical contractors. We define Key Influencers as individuals or organizations in our target markets with whom Legend has developed a relationship such that they understand and endorse our technology, its benefits and applicability for potential customers within their sphere of influence.

Continued research and development is expected to provide new products for the 600V market and 208V systems for condominium and apartment towers in 2016. In addition, the Company has developed a Harmonizer with 480V capabilities for the US market.

The Company also intends to establish the offering of financing solutions for potential customers with either third party leasing options or in-house ESPA (Energy Savings Purchase Agreements), which provide revenue sharing plans with zero to minimal down payments.

## OVERALL PERFORMANCE

**For the three-months ended March 31, 2016 (Q2 2016)**

***Financial Highlights:***

- achieved record quarterly revenue of $1,018,323
- gross profit margin of 50.0%
- 4 unique customer transactions
- total of 11-units sales
- $92,000 average unit sales price

Results for the second quarter of 2016 have been positive with significant success in introducing Legend's value proposition to name brand players and industry leaders in multiple verticals. We achieved a new record for quarterly revenue of $1,018,323 which was strong follow-on from record revenue for Q1 of $778,352. We secured our largest single order with an international retailer to utilize Legend's Harmonizer solution in all of its Canadian locations. Our sales team continued to increase sales opportunities throughout our targeted markets and we are optimistic that follow-on orders will be recognized with other significant accounts.

Early efforts to create awareness in the New York market have been positive with Key Influencers such as Con Edison (local utility) and a significant, nation-wide electrical contractor both providing strong support.

We continued to improve our EBITDA performance while reducing operating expenses compared with the three and six-month comparative periods of 2015. Our receivables did grow and our collection cycle is long compared to traditional businesses, however, we are focused on introducing methods to reduce the time from sales to receipt of cash from customer.

The Company has seen improved growth in its sales funnel and anticipates continued revenue growth for the balance of fiscal 2016 and beyond.

## RESULTS OF OPERATIONS

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

**Financial Highlights for the three and six-month periods ended March 31, 2016 and 2015**

| | Three-months ended March 31, 2016 | | | Six-months ended March 31, 2016 | | |
|---|---|---|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2016 | 2015 | Change | 2016 | 2015 | Change |
| Revenue | 1,018,323 | 114,328 | 790.7% | 1,796,675 | 266,993 | 572.9% |
| Cost of sales | 509,433 | 36,979 | 1,277.6% | 860,369 | 124,401 | 591.6% |
| Gross margin | 508,890 | 77,349 | 557.9% | 936,306 | 142,592 | 556.6% |
| Gross margin % | 50.0% | 67.7% | (17.7)% | 52.1% | 53.4% | (1.3)% |
| Operating expenses[1] | (718,024) | (755,715) | (5.0)% | (1,393,621) | (1,412,590) | (1.3)% |
| Operating expense as % of sales | 70.5% | 661.0% | (590.5)% | 77.6% | 529.1% | (451.5)% |
| Net (loss) | (207,117) | (712,869) | (70.9)% | (456,703) | (1,402,095) | (67.4)% |
| EBITDA[2] | (64,476) | (431,127) | 85.0% | (151,967) | (930,001) | 83.7% |

[1]Before other items.

[2]EBITDA; for the three and six-months ended March 31, 2016 and 2015, we are disclosing EBITDA, which is a non-IFRS financial measure, as a supplementary indicator of operating performance. We define EBITDA as net income or loss before interest, income taxes, amortization, foreign exchange amounts and non-cash stock based compensation.

**Revenues and Gross Margin**

Revenues for the second quarter were $1,018,323, significantly up from $114,328 in the same period of 2015 and year to date were $1,796,675, significantly up from $266,993 in the same period of 2015. The significant increases in revenue are the result of strong product demand in light of the Company's ability to consistently deliver on energy savings for its customers and the multi-vertical, market penetration being achieved in Ontario.

Quarterly revenue consists primarily of $744,005 from 7-units sold direct to customer with installation, $82,790 from 2-units sold through channel partners, and $189,980 in relation to the sale of 2-units in fiscal 2015. The 2-units sold in 2015 met the requirements for revenue recognition in Q2 2016. Direct to customer sales have been the typical means of selling our product during this initial period whereby the marketplace comes to realize the Harmonizer's capabilities and reliability. We expect, however, as the product establishes a sound track-record, for a greater percentage of sales to be generated through channel partners who in some circumstances may also be Key Influencers.

Gross margin for the second quarter was 50.0%, compared with 67.7% in the same period in 2015, a decrease of 17.7%, which is due primarily to the higher, low-margin installation costs associated with the 7-units sold direct to customer. Gross margin year to date was 52.1%, down slightly from 53.4% in the same period of 2015. Management expects gross blended margin to improve with volume, economies of scale, cost optimization and product mix.

Ten of the Company's unit sales in the quarter were achieved in the Province of Ontario and one in Nova Scotia.

Net loss for the second quarter was $207,117, down from $712,869 in the same period of 2015 and the year to date loss was $456,703, down from $1,402,095 in the same period of 2015. The Company was able to realize these improved results by achieving significantly stronger sales, while keeping operating expenses virtually unchanged compared to the comparative periods in 2015.

Included in the second quarter loss were several significant non-cash items, which totaled $144,658 while in the year to date period, non-cash items totaled $305,348.

**Operating Expenses**

| | Three-months ended March 31, 2016 | | | Six-months ended March 31, 2016 | | |
|---|---|---|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2016 | 2015 | Change | 2016 | 2015 | Change |
| Amortization and depreciation | 48,773 | 46,258 | 5.4% | 93,676 | 90,941 | 3.0% |
| General and overhead | 123,031 | 104,119 | 18.2% | 234,523 | 204,378 | 14.8% |
| Professional fees | 19,500 | 40,026 | (51.3)% | 42,947 | 61,026 | (29.6)% |
| Product development | 14,837 | 16,810 | (11.7)% | 21,691 | 30,082 | (27.9)% |
| Salaries and consulting fees | 415,998 | 314,847 | 32.1% | 789,112 | 646,256 | 22.1% |
| Share-based compensation | 77,885 | 231,655 | (66.4)% | 155,672 | 359,907 | (56.8)% |
| Warranty provision | 18,000 | 2,000 | 800% | 56,000 | 20,000 | 180.0% |
| **Total operating expenses[1]** | **718,024** | **755,715** | (5.0)% | **1,393,621** | **1,412,590** | (1.3)% |

[1] Before other items.

Total operating expenses for the second quarter decreased slightly to $718,024 from $755,715 in same period of 2015 and year to date costs also fell to $1,393,621 from $1,412,590 in the same period of 2015.

**Select expenses include:**

- Amortization and depreciation costs for the second quarter 2016 were $48,773, up from $46,258 in the same period of 2015 and year to date costs were $93,676, up from $90,941 in the same period of 2015. The small increases in both the comparative periods relates to additional depreciation on new equipment purchases in fiscal 2016. Amortization, which relates to patent costs, did not vary in either year over year comparative of period.

- General and overhead costs for the second quarter were $123,031, up from $104,119 in the same period of 2015 and year to date costs were $234,523, up from $204,378 in the same period of 2015. The increase in both comparative periods was due primarily to the recent growth in costs associated with sales and business development focused travel and additional lease payments incurred while the Company transitioned to a new premises. These increases were offset slightly by a lack of financing costs recorded in 2016, compared with $9,959 incurred in 2015.

- Professional fees for the second quarter were $19,500, down from $40,026 in the same period of 2015 and year to date costs were $42,947, down from $61,026 in the same period of 2015. The higher costs in 2015 were attributable to legal fees associated with patent filing activities.

- Product development consists primarily of costs relating to the design of the Company's products and to the development and testing of prototypes, not including salaries. These costs for the second quarter amounted to $14,837 compared to $16,810 for the same period in 2015 and year to date costs were $21,691, down from $30,082 in the same period of 2015. In spite of these small decreases seen in the 2016 periods, the Company expects these costs to grow over time as it expands and refines its product offering for new vertical market segments.

- Salaries and consulting fees for the second quarter were $415,998, up from $314,847 in the same period of 2015 and year to date costs were $789,112, up from $646,256 in the same period of 2015. The increases are due primarily to the addition of sales and accounting personnel as well as engineering and production staff for product improvements and increased production capabilities.

- Share-based compensation expense for the second quarter was $77,885, down from $231,655 in the same period of 2015 and year to date expense was $155,672, down from $359,907 in the same period of 2015. Share-based compensation expense is attributable to grants of incentive stock options to employees, officers, directors and consultants. Share based compensation is recognized and expensed in relation to the Fair Market Value and vesting periods associated with the options. The decreases witnessed in the 2016 periods are due to lower numbers of options vesting.

- Provision for potential warranty claims for the second quarter were $18,000, up from $2,000 in the same period of 2015 and year to date was $56,000, up from $20,000 in the same period of 2015. Warranty provision is linked to sales volume, and the increases are due to the material growth in sales during the 2016 periods.

**Changes in US$ versus Cdn$ Exchange Rate**

In spite of recent and significant appreciation in the value of the US$ versus the Cdn$, the Company's financial results were not materially impacted. The Company does not as of yet sell the Harmonizer in the US, but it does purchase several components required for its manufacture, with payment terms denominated in US$. The most significant of these components are transformers, which have to date only increased nominally in Cdn$ cost terms.

**Quarterly Trends**

(Cdn$, unless noted otherwise)

| | 2014 | | 2015 | | | | 2016 | |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Revenue | 210,801 | 32,101 | 152,665 | 114,328 | 150,824 | 208,707 | 778,352 | 1,018,323 |
| Gross margin | 66,427 | (36,370) | 65,243 | 77,349 | 80,703 | 211,663[1] | 427,416 | 508,890 |
| Operating expenses | 445,961 | 659,734 | 656,875 | 755,715 | 632,962 | 897,642 | 675,597 | 718,024 |
| Loss before other items | (379,534) | (696,104) | (591,632) | (678,366) | (614,124) | (624,114) | (248,181) | (209,134) |
| Net loss | (414,439) | (844,141) | (689,226) | (712,869) | (610,621) | (527,448) | (247,940) | (207,117) |
| Loss per common share[2] | (0.008) | (0.040) | (0.012) | (0.012) | (0.011) | (0.008) | (0.004) | (0.003) |

[1] *Gross margin in Q4 2015 was artificially inflated due to timing differences resulting from fiscal year-end accounting adjustments.*
[2] *Basic and diluted.*

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

Second quarter 2016 and 2016 year to date revenues and gross margin were substantially over trend, which is due to strong product demand generated by the Company's ability to consistently deliver on energy savings for its customers and the success of our new sales team in penetrating the Ontario market.

Operating expenses have been relatively stable between Q4 2014 and Q2 2016 other than an increase experienced in Q4 2015, which was primarily associated with year-end accruals.

The net loss during Q4 2014 and Q1 2015 were both materially impacted by significant other expenses. During these two quarterly periods, the Company incurred one-time, loss on product installation costs.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

**Summary of Consolidated Statement of Cash Flows**

| | Six-months ended March 31 | | |
|---|---|---|---|
| (Cdn$, unless noted otherwise) | 2016 | 2015 | Change |
| Cash used in operating activities | (1,156,867) | (1,415,965) | (18.3)% |
| Cash used in investing activities | (22,765) | (13,690) | 66.3% |
| Cash provided by financing activities | 1,634,346 | 723,427 | 125.9% |
| **Total change in cash** | **454,714** | **(706,228)** | 164.4% |

**Cash used in operating activities**
During the six-months ended March 31, 2016, cash used in operating activities, excluding changes in working capital, was $151,355, down from $931,247 from the same period in 2015, a significant decrease which is due to a significantly reduced net loss during the year to date period. Changes in non-cash working capital items were negative $1,005,512, up from negative $484,718 in the same period of 2015. This increase was due primarily to higher accounts receivable which was offset somewhat by a decrease in inventory and increase in accounts payable. From a sales perspective the Company typically experiences an accounts receivable cycle averaging between 4-6 months, which with our growing sales has resulted in a large increase in accounts receivable. We actively manage our working capital by monitoring inventory turnover data, collection of accounts receivable, and taking advantage of trade discounts and/or extended payment terms granted by suppliers.

**Cash used in investing activities**
During the six-months ended March 31, 2016, cash used for investing activities was $22,765, up from $13,690 in the same period of 2015. The increase is due to furniture and electronic equipment purchases in the current year to date period.

**Cash provided by financing activities**
During the six-months ended March 31, 2016, cash provided from financing activities was $1.63 million, up from $2,000 in the same period of 2015. The increase relates to an equity private placement for gross proceeds of $1.66 million, which closed in Q1. The private placement consisted of 8.3 million units, with each unit priced at $0.20 and consisting of a common share and common share purchase warrant.

### Working Capital Items

| (Cdn$, unless noted otherwise) | March 31, 2016 | September 30, 2015 | Change |
|---|---|---|---|
| Cash | 990,830 | 536,116 | 84.8% |
| Accounts receivable | 2,287,343 | 646,800 | 253.6% |
| Inventory | 339,790 | 572,912 | (40.7)% |
| Prepaids | 104,173 | 82,589 | 26.1% |
| **Total current assets** | **3,722,136** | **1,838,417** | 102.5% |
| Trade payables | 322,103 | 189,060 | 70.4% |
| Accrued Liabilities | 500,294 | 209,843 | 138.4% |
| **Total current liabilities** | **822,397** | **398,903** | 106.2% |
| **Working capital** | **2,899,739** | **1,439,514** | 101.4% |

**Liquidity and capital resources measures**
As at March 31, 2016, the Company had cash of $990,830 (September 30, 2015: $536,116), total current assets of $3,722,136 (September 30, 2015: $1,838,417) and current liabilities of $822,397 (September 30, 2015: $398,903). As at March 31, 2016, the Company had working capital of $2,899,739 (September 30, 2015: $1,439,514).

Based on working capital as at March 31, 2016, estimated cash requirements for the balance of 2016, and the Company's ability to timely collect accounts receivable, management believes the Company has sufficient capital to continue business operations over at least the next twelve months.

The Company has traditionally relied in the past 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 March 31, 2016 was $2,287,343 compared with $646,800 at September 30, 2015, an increase of $1,640,543. The increase was due primarily to the large number of sales that were recorded in the three most recent fiscal quarters and the associated 4-6 month accounts receivable turnover. Of the amounts receivable at March 31, 2016, approximately $1million is current, arising from sales in the quarter ended March 31, 2016 and $0.7million is expected to be collected by June 30, 2016.

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

At March 31, 2016 inventory was $339,790 compared with $572,912 at September 31, 2015 a decrease of $233,122. The reduced inventory amount was due primarily to a fiscal year-end (September 30, 2015) adjustment regarding the delayed revenue recognition of a certain sale, which had a temporary impact on inventory reported. In the second quarter of 2016, the revenue from and resulting reduction in inventory for the delayed sales was realized.

**Current Liabilities**

Trade payables and accrued liabilities at March 31, 2016 were $322,103 and $500,294 respectively, compared with $189,060 and $209,843 at September 30, 2015. The increase in payables was due in most part to the GST/HST payable on sales during the quarter. The increase in accrued liabilities relates primarily to $276,000 recorded in relation to expected installation costs.

**Contractual Obligations and Commitments**

The Company's office premises in Burnaby, BC are subject to an operating lease that expires on July 31, 2016. As at March 31, 2016, the remaining lease obligation totals $32,546 subject to changes or increases in Company's portion of the landlord's common area charges and/or property taxes.

As of February 9, 2016, the Company committed to an operating lease for its new office premises in Vancouver, BC, which expires on September 30, 2020. The obligation associated with this new lease for the balance of fiscal 2016 is $59,280.

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

**Proposed Transactions**

None.

**Outstanding Share Data**

| Class of Security | Number outstanding at September 30, 2015 | Net issued (grants, cancellations, exercises) | Number outstanding at March 31, 2016 | Net issued (grants, cancellations, exercises) | Number outstanding at May 25, 2016 |
|---|---|---|---|---|---|
| Shares[1] | 59,397,389 | 8,798,750 | 68,196,139 | 111,111 | 68,307,250 |
| Options | 4,856,160 | 1,208,336 | 6,064,496 | - | 6,064,496 |
| Warrants | 10,510,053 | 8,798,750 | 19,308,803 | (111,111) | 19,197,692 |

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

**Share offering**

On December 30, 2015 the Company closed a private placement financing for gross proceeds of $1,660,000 by the issuance of 8,300,000 units at $0.20 per unit. Each unit consisted of one common share and one non-transferable warrant, each whole warrant entitling the purchase of a common share for two years at $0.40. The Company also issued 498,750 units (with the same terms referenced above) in satisfaction of finder's fees equal to 7% of certain proceeds received. Cash share issuance costs incurred in connection with the private placement were $25,654.

**Incentive stock option grant**

Subsequent to December 31, 2105, the Company's board of directors approved the grant of 1,941,666 incentive stock options to employees, directors and consultants. The options are exercisable at a price of $0.25 per share, and will vest over a 3-year period. The options expire on January 26, 2021.

**Warrant exercise**
During May 2016, 111,111 warrants with a strike price of $0.30 were exercised for proceeds of $33,333.

**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, hedging and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. A discussion of certain risks that may affect us is included in our annual MD&A.

Legend's share price has been highly volatile following its TSX-V listing on July 3, 2008 due to market conditions and may continue to experience significant fluctuation in the future. Among the factors that could affect Legend's share price are: quarterly variations in operating results, news announcements, research reports by analysts and other developments with respect to the Company's industry or competitors, changes in general market conditions, lack of liquidity in the marketplace and domestic and international economic factors unrelated to the Company's performance.

The markets for equity securities of technology companies have been highly volatile recently and the market price of Legend's common shares may be subject to innovations or new products by the Company or its competitors, fluctuations in energy prices, patent or proprietary rights developments and market conditions for high technology stocks in general. In addition, stock markets in recent years have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These market fluctuations may adversely affect the market price of Legend's shares. There can be no assurance that the trading price of Legend's shares will remain at or near the current trading price.

## RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the six-months ended March 31, 2016. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

**Transactions with Key Management Personnel**
During the six-months ended March 31, 2016 and 2015, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer) and the CFO (Mr. Steve Vanry) and ex-CFO (Mr. Shabir Dhanani):

| | Six-months ended March 31 | |
|---|---|---|
| (Cdn$, unless noted otherwise) | 2016 | 2015 |
| Salaries – R. Buchamer | 100,000 | 100,000 |
| Consulting fees – S. Vanry | 17,855 | - |
| Salaries – S. Dhanani | 34,800 | 51,000 |
| Share based compensation – R. Buchamer | 90,342 | 173,737 |
| Share based compensation – S. Dhanani | 1,150 | 2,261 |
| **Total** | **244,147** | **326,998** |

**Transactions with Other Related Parties**

During the six-months ended March 31, 2016 and 2015, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Michael Harcourt, Matt Walker and Dave Guebert):

| | Six-months ended March 31 | |
|---|---|---|
| (Cdn$, unless noted otherwise) | 2016 | 2015 |
| Share based compensation – M. Atkinson | 11,695 | 9,361 |
| Share based compensation – J. Blundell | 3,673 | 6,313 |
| Share based compensation – M. Harcourt | 2,708 | 4,726 |
| Share based compensation – M. Walker | 3,673 | 6,313 |
| **Total** | **21,749** | **36,713** |

## NEW ACCOUNTING STANDARDS NOT YET ADOPTED

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

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

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

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

***Foreign currency risk***

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At March 31, 2016 the Company has no significant foreign currency denominated financial liabilities, and did not hold any significant foreign currency denominated financial assets.

***Interest rate risk***

The Company is not exposed to significant interest rate risk.

***Credit risk***

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

***Liquidity risk***

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The table below is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

## OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

· SEDAR at www.sedar.com;

· the Company's website at www.legendpower.com;

· the Company's second quarter financial statements for the three and six-month period ended March 31, 2016.

**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
May 25, 2016