Legend Power Systems Inc.

MANAGEMENT’S DISCUSSION AND ANALYSIS
Three months ended December 31, 2017 and 2016

Dated March 1, 2018
ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation is prepared as at March 1, 2018, and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes for the three months ended December 31, 2017 and 2016 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 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 March 1, 2018.

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

OUR BUSINESS

Legend Power Systems Inc. and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) and LPSI (Barbados) Limited - (Barbados), (collectively, the “Company” or “Legend”) is an electrical energy conservation company that markets a patented device designed to provide energy savings through Conservation Voltage Reduction (CVR) to owners of commercial and industrial buildings. Most buildings on a power grid receive a higher electrical voltage than required from their power utilities as a counteracting measure to mitigate the challenges of line loss across a feeder length, and the variable nature of power demand. Voltage higher than a building’s equipment specifications negatively impacts the lifespan of electrical equipment and unnecessarily increases power consumption. This results in higher monthly utility bills, premature equipment failure, and a larger than necessary environmental footprint for the affected building. Legend utilizes a proprietary and patented technology to apply the principles of CVR to a building in order
Management’s Discussion and Analysis

to regulate its voltage and lower its total power consumption. By ensuring a consistent and optimized voltage level across all loads, the Electrical Harmonizer helps its customers reduce their electricity bills and maintenance costs while increasing the life of their electrical equipment.

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

A core element of Legend’s business plan is to leverage both direct and distribution sales channels to aggressively expand key recommender product adoption and market share in multiple geographic locations. Direct sales in the Province of Ontario is a notable revenue stream that additionally serves as a test bed for sales best practices and intelligence gathering. Expansion into the north eastern United States has begun with the establishment of a presence in New York City, which includes 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 current research and development program, now in prototype testing phase, is focused on the creation, rapid development, and delivery of unique feature sets driven by customer feedback. The increased feature sets will offer greater energy savings in all geographic territories and market verticals along with improved margins for the Company.

OVERALL PERFORMANCE

For the three months ended December 31, 2017

Summary
- $1.28 million revenue
- 99% revenue growth over Q1 of previous year
- 12 units sold during the quarter
- Blended gross profit margin of 34%

U.S. Expansion
During February 2018 the Company signed agreements with its fourth and fifth distribution partners in New York City. Members of Legend’s Distribution Partner Program work in tandem with the Company’s local sales team to promote and sell Harmonizer systems to their trusted network of customers. Distributors in the Legend Partner Program have customer relationships spanning multiple market verticals including multi-unit residential, government, and property management. Areas of operation include the tri-state area of New York, New Jersey, and Connecticut. Early-stage data from buildings evaluated by Legend indicates a significant and pervasive negative overvoltage condition in New York City. Buildings throughout Manhattan and the greater New York area are plagued with voltage issues that can be corrected by Legend’s proprietary technology. Legend will work independently and in concert with its distribution network to rapidly address buildings suffering from overvoltage.
In January of 2018 Con Edison, New York City’s Power Utility, significantly increased its financial incentives for energy saving technologies, including Legend’s proprietary Harmonizer system. Customers who apply for incentives will be eligible for additional cash contributions.

Con Edison is one of the largest and most environmentally progressive energy utilities in the United States. The increase in funding relevant to Legend’s offering comes from Con Edison’s Commercial and Industrial Energy Efficiency Program under the Performance-Based Incentives for Other Measures banner. Previously, the incentive program offered eligible energy efficiency upgrades a performance-based Custom incentive of $0.16 per kWh. This typically equates to a cash contribution ranging from $10,000 to $25,000 for a Legend project. Con Edison has added an incentive of $600 per kW saved, significantly increasing the typical funding range for a Legend project to $20,000 to $50,000.

Working Capital
As at December 31, 2017 the Company had working capital totaling $5.3 million an increase of $1.3 million from the $4.1 million at September 30, 2017. The increase was due in large part to the exercise of 4,464,382 warrants at a price of $0.40 each for total proceeds of $1.8 million during Q1. 100% of all warrants expiring in calendar 2017 were exercised and the Company now has no warrants outstanding.

Product Development
During February of 2018 the Company began a pilot project involving the development, testing and installation of an in-house developed technology, allowing real-time energy saving performance data and other power management metrics to be accessed by customers via a web portal. This product was developed in response to overwhelming interest expressed by existing customers and sales prospects in having a direct link to the performance and savings being achieved by the Company’s power management solution that resides in the power room of a customer’s commercial building.

RESULTS OF OPERATIONS

Financial summary for the three-month periods ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31,</th>
<th></th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Cdn$, unless noted otherwise)</td>
<td>2017</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>1,282,707</td>
<td>644,847</td>
<td>98.9%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>849,200</td>
<td>369,688</td>
<td>129.7%</td>
</tr>
<tr>
<td>Gross margin¹</td>
<td></td>
<td>433,507</td>
<td>275,159</td>
<td>57.6%</td>
</tr>
<tr>
<td>Gross margin %¹</td>
<td></td>
<td>33.8%</td>
<td>42.7%</td>
<td>(8.9)%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(1,178,176)</td>
<td>(748,947)</td>
<td>57.3%</td>
</tr>
<tr>
<td>Adjusted EBITDA²</td>
<td></td>
<td>(635,537)</td>
<td>(362,464)</td>
<td>75.3%</td>
</tr>
<tr>
<td>Net (loss)</td>
<td></td>
<td>(747,328)</td>
<td>(477,755)</td>
<td>56.4%</td>
</tr>
</tbody>
</table>

¹ Gross margin is based on a blend of both equipment and installation revenue.
² Adjusted EBITDA, is a non-IFRS financial measure. See page 16 for discussion.

Revenue for the first quarter of 2018 was $1,282,707, up significantly from $644,847 in the same period of fiscal 2017. The significant increase in revenue is attributable to increasing demand for the Company’s product.

Gross blended margin in the first quarter 2018 was 33.8%, down from 42.7% in the same period of 2017. The decrease in blended gross margin for the three-month comparative periods is due primarily to the much higher relative amount of lower
Management’s Discussion and Analysis

margin install revenue realized in Q1 2018 at 49.9% of total revenue, compared with only 18.9% in Q1 2017. The Company has implemented measures to strengthen the capacity and cost effectiveness of its internal installation services team, the benefits of which are expected to have a positive impact on profit margins beginning H1 2018 and thereafter.

Operating expense in the first quarter 2018 was $1,178,176 compared with $748,947 in the same quarter of 2017. The increase in comparative periods is due primarily to increases in salaries and consulting fees and general and overhead costs associated with the Company’s recent growth. The increase was also impacted by higher development costs in Q1 2018 compared with Q1 of 2017 when certain of these costs were capitalized.

First quarter 2018 Adjusted EBITDA was negative $635,537, a decline from negative $362,464 in 2017. The decline in quarter over quarter Adjusted EBITDA for the comparative periods occurred in spite of Q1 2018 gross margin being higher than Q1 2017 by $158,348, which was offset by an increase in operating expenses in Q1 2018.

Net loss for the first quarter 2018 was $747,328, up from $477,755 in 2017.

Operating Expenses and Other Items

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>Three-months ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Amortization and depreciation</td>
<td>12,039</td>
</tr>
<tr>
<td>General and overhead</td>
<td>228,963</td>
</tr>
<tr>
<td>Product development</td>
<td>66,908</td>
</tr>
<tr>
<td>Professional fees</td>
<td>24,000</td>
</tr>
<tr>
<td>Salaries and consulting fees</td>
<td>731,764</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>97,093</td>
</tr>
<tr>
<td>Warranty expense</td>
<td>17,409</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,178,176</td>
</tr>
</tbody>
</table>

Total operating expenses for the first quarter 2018 increased to $1,178,176 up from $748,947 in same period of 2017.

Select expenses include:

- Amortization and depreciation costs for the first quarter of 2018 were $12,039, down from $47,929 in the same period of 2017. The decrease in comparative periods is due to the fact that no amortization of patent costs was recorded in Q1 2018 as they were fully amortized in fiscal 2017, which was offset slightly by additional depreciation on recent equipment purchases.

- General and overhead costs for the first quarter 2018 were $228,963, up from $163,009 in the same period of 2017. The increase in costs during Q1 2018 was due primarily to higher office related costs and growth in costs associated with sales and business development focused travel.

- Product development costs for the first quarter 2018 were $66,908, up from $Nil in the same period of 2017. The increase is due to the fact that certain product development costs were capitalized to intangible assets during Q1 2017.
• Professional fees for the first quarter 2018 were $24,000 down slightly from $28,625 in the same period of 2017. The lower costs experienced in the quarter over quarter periods is due to lower legal fees.

• Salaries and consulting fees for the first quarter 2018 were $731,764, up from $432,989 in the same period of 2017. The increase is due to the addition of personnel in sales, marketing, field operations, and engineering.

• Share-based compensation expense for the first quarter 2018 was $97,093, up from $63,395 in the same period of 2017. 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 Value and vesting periods associated with the options. Variation in the year over year three-month periods is due to the Fair Value of options granted, the timing of option grants and the number of options vesting in each period.

• Warranty expense for the first quarter 2018 was $17,409, compared with $13,000 in the same period of 2017. Warranty expense is directly attributable to the expected average cost of a warranty obligation and the number of Harmonizers recognized in revenue during a period. The slight increase reflected in Q1 2018 compared with Q1 2017 is due to primarily to an increase in the number of units in revenue.

Quarterly Trends

(Cdn$, unless noted otherwise)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Revenue</td>
<td>914,413</td>
<td>588,982</td>
<td>42,344</td>
</tr>
<tr>
<td>Gross margin&lt;sup&gt;1&lt;/sup&gt;</td>
<td>356,727</td>
<td>304,720</td>
<td>(172,443)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>716,024</td>
<td>879,240</td>
<td>790,080</td>
</tr>
<tr>
<td>Loss before other items</td>
<td>(359,297)</td>
<td>(574,520)</td>
<td>(668,784)</td>
</tr>
<tr>
<td>Loss per common share&lt;sup&gt;2&lt;/sup&gt;</td>
<td>(0.006)</td>
<td>(0.009)</td>
<td>(0.015)</td>
</tr>
</tbody>
</table>

<sup>1</sup> Gross margin is based on a blend of both equipment and installation revenue.

<sup>2</sup> Basic and diluted.

Our quarterly revenue, gross margin, loss before other items and net loss results, reflect significant variability, which management deems consistent with a technology company perfecting the execution of its business model. One source of variability has been a seasonal affect which in recent history has had a downward impact on revenue in fiscal Q4. We anticipate future quarterly fiscal results to demonstrate a more consistent trend for revenue, gross margin and eventually overall profitability.

Q1 2018 revenue, and gross margin were roughly in line with the average of the prior three fiscal quarters. Operating costs however were higher in Q1 2018 than all previous quarters as the company incurred additional personnel and overhead costs associated with establishing a presence in New York.
Q4 2017 revenue was lower than Q3 due in most part to the seasonality effects associated with our top vertical. Gross margin was also generally lower during Q4 2017 due to adjustments applied to inventory which negatively impacted cost of goods sold; and a proportionately larger amount of lower margin install revenue recognized during the period.

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

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

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

Operating expenses were relatively stable between Q2 2016 and Q3 2017, which corresponded with a period of time when the number of staff was relatively static and the Company had not yet begun incurring expenditures related to U.S. expansion.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>Three months ended December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>Change</td>
</tr>
<tr>
<td>Cash used in operating activities</td>
<td>(897,992)</td>
<td>(1,062,903)</td>
<td>(15.5)%</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(27,869)</td>
<td>(66,830)</td>
<td>(58.3)%</td>
</tr>
<tr>
<td>Cash provided by financing activities</td>
<td>1,798,186</td>
<td>2,333,549</td>
<td>(22.9)%</td>
</tr>
<tr>
<td><strong>Total change in cash</strong></td>
<td><strong>872,325</strong></td>
<td><strong>1,203,816</strong></td>
<td><strong>(27.5)%</strong></td>
</tr>
</tbody>
</table>

**Cash used in operating activities**
During Q1 2018, cash used in operating activities was $897,992, down from $1,062,903 from the same period of fiscal 2017. The decrease in cash consumed is due primarily to changes in working capital items which contributed a relative cash contribution increase of $409,634 which was offset slightly by an increased loss in during Q1 of 2018.
Cash used in investing activities
During Q1 2018, cash used for investing activities was $27,869, down from $66,830 in the same period of fiscal 2017. The decrease is due to fact that during Q1 2017 certain product development costs were capitalized.

Cash provided by financing activities
During Q1 2018, cash provided from financing activities was $1,798,186, down from $2,333,549 in 2017. Proceeds from financing activities during both periods was primarily the result of warrant exercises.

Working Capital Items

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>at December 31, 2017</th>
<th>at September 30, 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>2,032,452</td>
<td>1,160,127</td>
<td>75.2%</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,707,863</td>
<td>2,637,092</td>
<td>2.7%</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,316,158</td>
<td>1,010,276</td>
<td>30.3%</td>
</tr>
<tr>
<td>Prepaids</td>
<td>245,305</td>
<td>84,693</td>
<td>189.6%</td>
</tr>
<tr>
<td>Total current assets</td>
<td>6,301,778</td>
<td>4,892,188</td>
<td>28.8%</td>
</tr>
<tr>
<td>Trade payables</td>
<td>887,494</td>
<td>592,760</td>
<td>49.7%</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>167,816</td>
<td>184,942</td>
<td>(9.3)%</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,055,310</td>
<td>777,702</td>
<td>35.7%</td>
</tr>
<tr>
<td>Working capital</td>
<td>5,246,468</td>
<td>4,114,486</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

Liquidity and capital resources measures
As at December 31, 2017, the Company had cash of $2,032,452 (September 30, 2017 - $1,160,127), total current assets of $6,301,778 (September 30, 2017 - $4,892,188) and current liabilities of $1,055,310 (September 30, 2017 - $777,702). As at December 31, 2017, the Company had working capital of $5,246,468 (September 30, 2017 - $4,114,486) an increase of 1,131,982. The increase in working capital is due to proceeds received by the Company from warrant exercises, offset primarily by cash used in operating activities.

Based on working capital as at December 31, 2017, estimated cash requirements for the next twelve months and the Company’s ability to timely collect accounts receivable, management believes the Company has sufficient working capital to continue business operations over the ensuing year.

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

Accounts Receivable
Accounts receivable at December 31, 2017 was $2,707,863 compared with $2,637,092 at September 30, 2017, an increase of $70,771. The slight increase in accounts payable is due to higher sales recorded in the three months ended December 31, 2018 compared with Q1 of 2017. The Company’s cash collection cycle is typically longer than most due to the varying nature of customer scheduling constraints, and the multi-step process associated with installation and commissioning of our technology; all of which is completed prior to final invoicing of a customer.
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Inventory
At December 31, 2017 inventory was $1,316,158 compared with $1,010,276 at September 30, 2017 an increase of $305,882. The increase in inventory is primarily due to the need to carry sufficient materials to meet higher projected unit sales in 2018 and the Company’s strategy to advance purchase sufficient materials to fulfill at least 3-months of projected orders. The Company’s ability to fulfill customer orders on a timely basis is dependent on carrying an inventory of various components, in particular those components with lengthy lead times for delivery.

Prepays
At December 31, 2017 prepays items were $245,305 compared with $84,693 at September 30, 2017, an increase of $160,612. The increase is due primarily to the prepayment of a third party electrical contractor in connection with several installations which remained incomplete as at December 31, 2017.

Current Liabilities
Trade payables and accrued liabilities at December 31, 2017 were $887,494 and $167,816 respectively, compared with $592,760 and $184,942 at September 30, 2017. The increase in trade payables is due primarily to amounts owing to a third-party contractor for partially completed installations and a generally higher level of activity in the Company.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$125,240</td>
</tr>
<tr>
<td>2019</td>
<td>$128,580</td>
</tr>
<tr>
<td>2020</td>
<td>$131,920</td>
</tr>
</tbody>
</table>

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

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

Proposed Transactions
None.

Outstanding Share Data

<table>
<thead>
<tr>
<th>Class of Security</th>
<th>Number outstanding at September 30, 2017</th>
<th>Net issued (grants, cancellations, exercises)</th>
<th>Number outstanding at December 31, 2017</th>
<th>Net issued (grants, cancellations, exercises)</th>
<th>Number outstanding at March 1, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>82,786,258</td>
<td>4,512,212</td>
<td>87,298,470</td>
<td>64,163</td>
<td>87,362,633</td>
</tr>
<tr>
<td>Options</td>
<td>8,259,496</td>
<td>(12,830)</td>
<td>8,246,666</td>
<td>(106,663)</td>
<td>8,140,003</td>
</tr>
<tr>
<td>Warrants</td>
<td>4,464,382</td>
<td>(4,464,382)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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, 2017: the Company granted 200,000 options with an exercise price of $0.75 each; 47,830 options were exercised for proceeds of $12,432; and 165,000 options were forfeited. Subsequent to December 31, 2017: 64,163 options were exercised for proceeds of $17,899; and 42,500 options were forfeited.

Warrant exercises
During the three months ended December 31, 2017, 4,464,382 warrants with an exercise price of $0.40 each, were exercised for total proceeds of $1,785,754, leaving no warrants outstanding.

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

RISKS AND UNCERTAINTIES

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

Uncertainty of Revenues
Since the date of incorporation, the Company has accumulated losses, and while the Company does not expect such losses to continue in the second half of calendar 2018, there can be no assurance that such losses will not continue.

Financing
The ability of the Company to arrange any further financing will depend in part on the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing.

The Company may not be successful in generating sufficient cash from operations or in raising capital in sufficient amounts on acceptable terms to implement its entire business plan. The failure to generate sufficient cash flows or to raise sufficient funds may require the Company to delay or abandon some or all of its plans or otherwise forego market opportunities and may make it difficult for the Company to respond to competitive pressures, any of which could have a material adverse effect on the Company’s business, results of operations and financial condition.

Limited Operating History
The Company was founded in 2001 as a research & development company. Until 2011 the Company was in field trials with different products. Beginning in calendar 2015, the Company began marketing and selling in the North American market. The ability of the Company to sustain revenue and income in this market segment is not fully proven, and the Company’s limited operating history makes an evaluation of the Company’s performance and its prospects difficult. The Company’s performance and its prospects must be considered in light of the risks, expenses and difficulties encountered by companies in the field of energy efficiency. To address these risks, among other things, the Company must sell the Electrical Harmonizer
and build its brand name effectively, continue to grow its infrastructure to accommodate customers, respond to competitive
developments and retain and motivate qualified personnel.

**Exchange Rate Fluctuations**
A portion of the Company’s business may be done in U.S. dollars. Therefore, changes in the exchange rates between the
Canadian dollar and U.S. dollar may have an adverse effect on the Company’s business, financial condition, future prospects
and results of operations.

**One Product Company**
The success of the Company will be largely dependent upon sales of its Electrical Harmonizer, but the Company has the
ability and is planning to introduce additional products, enhanced offerings and line extension based on its core technology.

**Dependence Upon New Markets; Uncertainty of Acceptance of Product Offerings**
The market acceptance of the Electrical Harmonizer in North America, outside of Ontario, remains to be proven and the
Company’s future growth will depend upon successful marketing of the Electrical Harmonizer. If the market targeted by the
Company fails to develop, develops slower than expected, is successfully and significantly penetrated by competitors or if
the Electrical Harmonizer does not achieve broad market acceptance, the Company’s business, results of operations and
financial conditions would be materially and adversely affected.

**Potential Fluctuations in Results of Operations**
The Company does not have an operating history sufficient to assess whether significant fluctuations in operations on a
quarterly and/or annual basis will occur. Results of operations may vary partly due to factors which are outside of the
Company’s control. These factors may include:

- a) demand for, and market acceptance of the Company’s products;
- b) introduction of products by competitors;
- c) reliable continuity of service;
- d) reliable supply of materials to the Company;
- e) customer retention;
- f) currency fluctuations;
- g) changes in the pricing policies of suppliers; and
- h) timing and magnitude of expenditures on advertising and promotion.

**Competition**
The Company holds patents covering unique aspects of its technology and is continually investigating opportunities for
adding to its intellectual property portfolio. Attempts have been made by one other company to achieve voltage regulation
electronically, albeit unsuccessfully. There is also a company in the United Kingdom that sells similar equipment but without
the critical capability of voltage regulation in the North American market. The Company believes that no potential
competitor has all of the capabilities and features of the Electrical Harmonizer. The Company believes that there are no
direct competitors today that are focusing on the same target market due to its patent protections. The Company may,
however, face additional competition from new market entrants. If and when that does occur in the future, the Company
will respond appropriately.

**Management of Growth**
The Company’s business plan involves expansion of its customer base and technologies resulting in additional funding
requirements and hiring of new employees. This growth could potentially place a significant strain on the Company’s
financial, management and operational resources. The Company’s management, personnel, systems, procedures and
Management’s Discussion and Analysis

controls may not adequately support a rapid expansion. If the Company’s executives are unable to manage growth effectively, the Company’s business, results of operations and financial condition could be materially and adversely affected.

**Dependence on Key Personnel**
The Company’s success depends in significant part upon the continued services of its key technical, sales and senior management personnel. Any officer or employee of the Company can terminate his or her relationship with the Company at any time. There is no assurance the Company can maintain the services of those individuals or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

The Company’s future success will also depend on its ability to attract, train, retain and motivate highly qualified technical, marketing, sales and management personnel. Competition for such personnel is intense, and the Company may not be able to attract and retain key personnel. The loss of the services of one or more of the Company’s key employees or the Company’s failure to attract additional qualified personnel could have a material adverse effect on the Company’s business, results of operations and financial condition.

**Suppliers**
The business failure of suppliers or any adverse impact upon them such as shortages of materials, labor strife or unrest, inability to obtain transportation for the manufactured units may adversely affect the Company’s ability to meet its financial objectives. Reliance on suppliers also subjects the Company to the risks of shortage of components, the possibility of defective parts produced by others, and increases in component costs, all of which may adversely affect the Company’s profitability.

In its manufacturing and assembly processes, the Company requires quality components to be supplied by third parties. Failure of such third-party suppliers to meet component delivery schedules may disrupt production schedules at the Company.

**Installation**
The Company generates revenue through direct product sales, product sales and installations and in limited circumstances, ongoing energy savings revenue from past product installations. Electrical Harmonizer installations are done partly by the Company’s employees and partly by local qualified electrical contractors. The ability to install the Electrical Harmonizer in a timely fashion will be dependent on the availability of such contractors. While there is a Canadian Electrical Code that sets minimum standards that apply to the installation of the Electrical Harmonizer, there can be variations in the cost of installation. Going forward, the Company’s strategy is to enhance distributorship channel sales, and as such, should have reduced exposure to the installation side of business.

**Government Regulation**
Canadian and American, Provincial/State and Federal statutes concerning electrical safety require the Company’s products to be approved listed products. All products manufactured, sold and installed by the Company are subject to safety certification procedures by approved safety bodies, and are listed products.

**Insurance**
A defect in the products manufactured by the Company or in the installation process could result in serious personal injury, property damage, and lost hours of operation and revenue. Although the Company carries general liability insurance of up to $10,000,000, it is not fully insured against all risks, nor are all such risks fully insurable.

**Product Liability**
A malfunction of the Company’s products could result in tort or warranty claims. Even where a claim is without merit, the costs of defending could be substantial in terms of actual monetary expense as well as diversion of managerial attention. Any liability for damages resulting from malfunctions of the Company’s products or other costs incurred to remedy the problem, such as product recalls, could be substantial and could increase the Company’s expenses and prevent the Company from growing its business. In addition, a well-publicized actual or perceived problem could adversely affect market
perception of the Company's products. This could result in a decline in demand for the Company's products, which would reduce its revenue and harm its business.

**Dividends**

During the most recently completed financial period, no dividends were paid on the common shares issued and outstanding. It is not expected that dividends will be paid on the common shares in the foreseeable future as it is the Company's current policy to retain earnings to finance expansion and to otherwise fund operations, unless profits far exceed such requirements. Future payment of dividends will be dependent upon the Company's financial condition, financial requirements to fund future growth, and other factors the Board of Directors may consider appropriate in the circumstances. Until the Company pays dividends, which it may never do, shareholders will not be able to receive a return on their common shares unless they sell them.

**Rapid Growth**

Internal growth is a principal component of the Company's strategy, and the Company anticipates undergoing a period of expansion in its business. If the Company fails to sustain or effectively manage such growth, its operating results will fluctuate and suffer. The Company's growth depends on its ability to accomplish a number of things, including identifying and developing new geographic markets, developing new products and market acceptance for them, increasing the Company's manufacturing and outsourcing capacity, maintaining current customer and distributor relationships and developing new ones, and successfully managing expansion and arranging the necessary financing.

Any growth the Company achieves will require additional personnel and will increase the scope of both its operating and financial systems and the geographic area of its operations. This will increase its operating complexity and may place significant strain on its management and other resources. The Company may not be able to attract and retain qualified personnel, and its current operating and financial systems and controls may not be adequate to support such growth. The Company's ability to improve its systems and controls may be limited by increased costs, technological challenges or lack of qualified personnel. In addition, the Company's past results may not be indicative of the Company's future prospects or ability to penetrate new markets, which may have different competitive conditions and demographic characteristics than current markets. Failure to effectively manage the budgeting, forecasting and other process control issues arising from growth could materially and adversely affect the Company's business, financial condition and results of operations. In addition, the Company's expense levels are based, in part, on expected future revenues and the Company is limited in its ability to reduce expenses quickly if for any reason its purchase orders do not meet expectations in a particular quarter or year.

The Company may also grow through investment in or acquisition of complementary businesses. In connection with any investment or acquisition the Company makes, however, there may be liabilities that the Company fails to discover or is unable to discover and for which the Company, as successor owner, may be responsible. In addition, acquisitions often result in difficulties in integration, which may place significant strain on management and other resources and disrupt business operations.

**Share Price**

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 three months ended December 31, 2017 and 2016. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm’s length basis.

Transactions with Key Management Personnel
During the three months ended December 31, 2017 and 2016, the following amounts were incurred with respect to the Company’s CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>Three months ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Salaries – R. Buchamer</td>
<td>56,250</td>
</tr>
<tr>
<td>Consulting fees – S. Vanry</td>
<td>32,562</td>
</tr>
<tr>
<td>Share based compensation – R. Buchamer</td>
<td>20,369</td>
</tr>
<tr>
<td>Share based compensation – S. Vanry</td>
<td>10,184</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>119,365</strong></td>
</tr>
</tbody>
</table>

Transactions with Other Related Parties
During the three months ended December 31, 2017 and 2016, the following amounts were incurred with respect to the Company’s non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Michael Harcourt, Matt Walker and Dave Guebert):

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>Three months ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Share based compensation – M. Atkinson</td>
<td>6,135</td>
</tr>
<tr>
<td>Share based compensation – J. Blundell</td>
<td>3,277</td>
</tr>
<tr>
<td>Share based compensation – M. Harcourt</td>
<td>2,262</td>
</tr>
<tr>
<td>Share based compensation – M. Walker</td>
<td>2,262</td>
</tr>
<tr>
<td>Share based compensation – D. Guebert</td>
<td>5,687</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,622</strong></td>
</tr>
</tbody>
</table>
NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The Company is in the early stages of assessing the impact that these standards will have on the Company’s consolidated financial statements and has started to assemble the documentation necessary for an accounting analysis. Based on initial research, the Company does not currently expect that IFRS 9 will have any material impact on its consolidated financial statements. The Company expects that IFRS 15 will have an impact on its consolidated financial statements but has yet to make a decision on the transition method to apply – the Retrospective Method (with or without one or more of three practical expedients) or the Cumulative Effect Method, and has yet to complete its analysis.

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

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

At December 31, 2017 the Company has no significant foreign currency denominated financial liabilities, and did not hold any significant foreign currency denominated financial assets.

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

Credit risk
Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are believed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company does not believe it is exposed to significant concentration of credit risk. Receivables from four of our customers account for 11.9%, 14.3%, 20.8% and 36.8% respectively of the Company’s accounts receivable balance for a total of 83.8% in aggregate at December 31, 2017.
Liquidity risk
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities.

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, as well as unusual non-operating items such as insurance settlement. Warranty expense is no longer included in the Adjusted EBITDA calculation, as such historical amounts have been updated.

<table>
<thead>
<tr>
<th>(Cdn$, unless noted otherwise)</th>
<th>Three months ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>(747,328)</td>
<td>(477,755)</td>
</tr>
<tr>
<td>Add / (deduct):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>6,415</td>
<td>7,717</td>
</tr>
<tr>
<td>Interest income</td>
<td>(3,756)</td>
<td>(3,750)</td>
</tr>
<tr>
<td>Amortization</td>
<td>12,039</td>
<td>47,929</td>
</tr>
<tr>
<td>Share based compensation</td>
<td>97,093</td>
<td>63,395</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>(635,537)</td>
<td>(362,464)</td>
</tr>
</tbody>
</table>

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:
· SEDAR at www.sedar.com;
· the Company's website at www.legendpower.com;
· the Company’s condensed interim consolidated financial statements for the three-month periods ended December 31, 2017 and 2016;
· the Company’s consolidated financial statements for the years ended September 30, 2017 and 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
March 1, 2018