



Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2018

(Unaudited - Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Legend Power Systems Inc. for the nine months ended June 30, 2018 have been prepared by and are the responsibility of the Company's management.

The auditor of Legend Power Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the nine-month period ended June 30, 2018.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

		June 30, 2018	September 30, 2017 (Audited)
	Notes	\$	\$
ASSETS			
Current			
Cash and cash equivalents		10,916,910	1,160,127
Trade Receivables	4(i)	1,307,744	1,745,030
Due from customers on contract	4(ii)	1,736,590	892,062
Prepaid expenses and deposits		163,969	84,693
Inventory	5	1,366,580	1,010,276
		<u>15,491,793</u>	<u>4,892,188</u>
Property and equipment	6	171,147	84,405
Intangible assets	7	104,383	107,060
		<u>15,767,323</u>	<u>5,083,653</u>
LIABILITIES			
Current			
Accounts payable		634,578	592,760
Accrued liabilities		292,039	184,942
Due to related parties	11	19,642	-
		<u>946,259</u>	<u>777,702</u>
Warranty provision	8	233,219	215,231
		<u>1,179,478</u>	<u>992,933</u>
Shareholders' equity			
Share capital	9(i)	50,249,640	38,421,253

Contributed surplus	9(ii)(iii)	8,402,850	8,331,942
Foreign currency translation reserve		(24,681)	-
Deficit		(44,039,964)	(42,662,475)
		14,587,845	4,090,720
		15,767,323	5,083,653

Commitments (Note 10)
Subsequent event (Note 12)

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON AUGUST 22, 2018

"Michael Atkinson", Director "Randy Buchamer", Director

The accompanying notes are an integral part of these interim consolidated financial statements.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

	Notes	For the three months ended June 30,		For the nine months ended June 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Revenue	3	2,112,341	1,516,813	5,311,630	3,163,042
Cost of sales		1,068,469	799,219	3,035,259	1,658,365
Gross margin		1,043,872	717,594	2,276,371	1,504,677
Expenses					
Salaries and consulting		718,675	497,275	2,203,916	1,359,933
General and overhead		165,053	156,231	685,339	479,452
Share-based compensation	9(ii)	79,152	95,573	349,765	210,180
Professional fees		88,795	25,000	141,702	99,265
Warranty provision	8	88,510	61,000	86,829	97,000
Product development	7	16,198	-	83,106	-
Bad debt	4(i)	48,943	-	48,943	-

Amortization and depreciation	6,7	17,483	51,432	43,512	149,750
		1,222,809	886,511	3,643,112	2,395,580
Loss before other items		(178,937)	(168,917)	(1,366,741)	(890,903)
Other (expense) income		(8,910)	7,407	(10,748)	9,659
Net loss for the period		(187,847)	(161,510)	(1,377,489)	(881,244)
Other comprehensive loss					
Foreign exchange translation		(24,681)	-	(24,681)	-
Total comprehensive loss for the period		(212,528)	(161,510)	(1,402,170)	(881,244)
Basic and diluted loss per share		(0.002)	(0.002)	(0.015)	(0.011)
Weighted average number of common shares outstanding		99,779,292	78,451,890	90,560,560	77,930,762

The accompanying notes are an integral part of these interim consolidated financial statements.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - Expressed in Canadian Dollars)

		Number of Shares Issued	Capital Stock	Contributed Surplus	Deficit	Foreign curren cy transla tion reserve	Total Shareholders ' Equity
Notes	#	\$	\$	\$	\$	\$	\$
Balance at September 30, 2016 (Audited)		70,443,946	33,458,288	8,861,305	(40,815,788)	-	1,503,805
Common shares issued for warrants exercise	8,307,944	3,178,262	(724,713)	-	-	-	2,453,549
Share-based compensation	-	-	210,181	-	-	-	210,181
Net loss for the period	-	-	-	(881,244)	-	-	(881,244)
Balance at June 30, 2017		78,751,890	36,636,550	8,346,773	(41,697,032)	-	3,286,291
Common shares issued for warrants exercise	4,034,368	1,784,703	(170,955)	-	-	-	1,613,748
Share-based compensation	-	-	156,124	-	-	-	156,124
Net loss for the period	-	-	-	(965,443)	-	-	(965,443)
Balance at September 30, 2017 (Audited)		82,786,258	38,421,253	8,331,942	(42,662,475)	-	4,090,720
Common shares issued for private placement	9(i)	13,156,000	10,524,800	-	-	-	10,524,800
Share issue costs	9(i)	-	(1,166,743)	225,388	-	-	(941,355)
Warrants exercise	9(iii)	4,464,382	2,258,693	(472,940)	-	-	1,785,753
Option exercise	9(ii)	611,993	211,637	(31,305)	-	-	180,332
Share-based compensation	9(ii)	-	-	349,765	-	-	349,765
Effect of foreign currency translation		-	-	-	-	(24,681)	(24,681)
Net loss for the period		-	-	-	(1,377,489)	-	(1,377,489)
Balance at June 30, 2018		101,018,633	50,249,640	8,402,850	(44,039,964)	(24,681)	14,587,845

The accompanying notes are an integral part of these interim consolidated financial statements.

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian Dollars)

	For the nine months ended June 30,	
	2018	2017
Notes	\$	\$
Cash flows used in operating activities		
Loss for the period	(1,377,489)	(881,244)
Items not affecting cash:		
Amortization and depreciation	6,7 49,007	149,750
Share-based compensation	9(ii) 349,765	210,181
Warranty provision	8 86,829	97,000
Bad debt	4(i) 48,943	-
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	352,028	(1,691,023)
Due from customers on contract	(862,152)	-
Inventory	(306,043)	(538,394)
Accounts payable and accrued liabilities	(59,686)	221,989
Other expense (income)	10,748	(9,659)
Due to related parties	26,700	-
	<u>(1,681,350)</u>	<u>(2,441,400)</u>
Cash flows used in investing activities		
Purchase of property and equipment	6 (110,450)	(59,942)
Interest income received	20,956	-
Product Development	7 -	(243,082)
	<u>(89,494)</u>	<u>(303,024)</u>
Cash flows from financing activities		
Proceeds from Private Placement	9(i) 10,524,800	-
Share issue costs	9(i) (941,355)	-
Warrants exercise proceeds	9(iii) 1,785,753	2,453,549
Options exercise proceeds	9(ii) 180,332	-
	<u>11,549,530</u>	<u>2,453,549</u>

Effect of foreign exchange translation in cash	(21,903)	-
Net change in cash during the period	9,778,686	(290,875)
Cash, beginning of period	1,160,127	1,132,547
	<hr/>	<hr/>
Cash, end of period	10,916,910	841,672
	<hr/>	<hr/>
Non-cash transactions		
Fair value of warrants issued for share issue costs	225,388	-
Acquisition of plant and equipment through accounts payable	22,622	-

The accompanying notes are an integral part of these consolidated financial statements.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

Legend Power Systems Inc. (hereafter referred to as the “Company” or “Legend”) is incorporated under the laws of the Province of British Columbia and was established as a legal entity on June 4, 1987. The Company’s principal business activities are the marketing of a patented device, the electrical “Harmonizer”, designed to provide energy savings through voltage optimization to commercial and industrial customers. The Company’s common shares are listed on the TSX Venture Exchange.

The Company’s principal office is located at 1480 Frances Street, Vancouver, BC, V5L 1Y9, Canada

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE AND GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with *IAS 34 – Interim financial reporting* (International Account Standard) which is in accordance with International Financial Reporting Standards (“IFRS”). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended September 30, 2017. These condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

As at June 30, 2018, the Company had working capital of \$14,545,534 (September 30, 2017 - \$4,114,486) and an accumulated deficit of \$44,039,964 (September 30, 2017 - \$42,662,475). During the nine months ended June 30, 2018 the Company incurred a net loss of \$1,377,489 (2017 - \$881,244).

In April 2018, the Company completed a \$10.5 million private placement (the “Offering”) by issuing 13,156,000 common shares, including an overallotment option, for total net proceeds of \$9,583,445. Based on working capital as at June 30, 2018 and estimated cash requirements and sources in fiscal 2018 and 2019, management believes the Company has sufficient capital to continue business operations over the next twelve months. In the long term, the continued business operations of the Company are dependent upon economic and market factors which involve uncertainties including profitable commercialization of its products and/or the Company’s ability to obtain adequate financing. There can be no assurance that the Company can achieve profitable commercialization of its products and/or obtain additional capital.

There have been no significant changes to the Company’s accounting policies, judgments or estimates from those disclosed in the consolidated financial statements for the year ended September 30, 2017.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The subsidiaries of the Company are as follows:

Legend Power Systems Corp. – (USA) active	100%
0809882 B.C. Ltd. – (Canada) inactive	100%
LPSI (Barbados) Limited – (Barbados) inactive	100%

Comparatives

Certain prior year amounts are reclassified to conform with the presentation adopted in the current year.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE AND GOING CONCERN – continued

New standards not yet adopted

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company is currently assessing the impact of the new standards.

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

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

(iii) IFRS 16 – *Leases*

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. The standard replaces IAS 17, *Leases*, and is effective for annual periods beginning of after January 1, 2019 with earlier application permitted.

3. SEGMENTS

The Company has one operating segment and operates in two geographical areas, Canada and the United States. All of the Company's revenues in the nine months ended June 30, 2018 were in Canada. In the nine months ended June 30, 2017, 2% of revenues were in the U.S., and the rest in Canada. Two customers accounted for 13%, and 12% respectively of the Company's revenues for the nine months ended June 30, 2018 and two customers accounted for 17% and 12% respectively for the nine months ended June 30, 2017. Product revenues and installation services accounted for 62% and 38% of revenue respectively for the nine months ended June 30, 2018 and 87% and 13% respectively for the nine months ended June 30, 2017.

4. RECEIVABLES

i) Trade Receivables

Aging of trade receivables as follows:

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

Trade Receivables	Total due	0-30 days	31-90 days	91 to a year	Over a year
	\$	\$	\$	\$	\$
June 30, 2018	1,307,744	1,108,429	-	192,445	6,870
September 30, 2017	1,745,030	950,375	431,620	363,035	-

During the nine months ended June 30, 2018, the Company wrote off a trade receivable amount of \$48,943 (2017 - \$nil) to bad debt.

4. RECEIVABLES - continued

At June 30, 2018, receivables from four of our customers accounted for 34%, 26%, 13% and 11%, respectively of the Company's trade receivables balance for a total of 84% in aggregate. Receivables from three customers accounted for 11%, 13%, and 16%, respectively of the Company's trade receivables balance for a total of 40% in aggregate at September 30, 2017.

ii) Due from customers on contract

Due from customers on contract amounts of \$1,736,590 at June 30, 2018 and \$892,062 at September 30, 2017, relates to equipment delivered and/or installation services performed for sales where revenue has been recognized, and customers had not yet been invoiced.

Maturity of due from customers on contract amounts are as follows:

Due from customers on contract	Total due	0-30 days	31-90 days	91 to a year	Over a year
	\$	\$	\$	\$	\$
June 30, 2018	1,736,590	89,856	1,253,893	392,841	-
September 30, 2017	892,062	560,323	-	331,739	-

5. INVENTORY

Inventories consist of the following, as at:

	June 30, 2018	September 30, 2017
	\$	\$
Finished products ("Harmonizers")	80,508	142,602
Work in progress inventory	235,356	-
Transformers and components	1,050,716	867,674
	1,366,580	1,010,276

During the nine months ended June 30, 2018, inventories were recognized as cost of sales in the amount of \$1,060,177 (2017 - \$834,451) and inventory impairment was also recognized as cost of sales in the amount of \$5,249 (2017 - \$Nil). Inventory impairment resulted from the write-off of components scrapped due to obsolescence.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Computer equipment	Computer software	Equipment and furniture	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance at September 30, 2016	76,196	100,847	297,574	20,805	495,422
Additions	25,749	2,586	53,904	139	82,378
Balance at September 30, 2017	101,945	103,433	351,478	20,944	577,800
Additions	24,920	21,985	80,292	5,875	133,072
Balance at June 30, 2018	126,865	125,418	431,770	26,819	710,872
Accumulated Depreciation					
Balance at September 30, 2016	68,762	93,541	280,084	12,973	455,360
Additions	9,036	8,662	18,385	1,952	38,035
Balance at September 30, 2017	77,798	102,203	298,469	14,925	493,395
Additions	11,391	9,027	24,338	1,574	46,330
Balance at June 30, 2018	89,189	111,230	322,807	16,499	539,725
Net book value					
At September 30, 2017	24,147	1,230	53,009	6,019	84,405
At June 30, 2018	37,676	14,188	108,963	10,320	171,147

7. INTANGIBLE ASSETS

In 2007, the Company purchased the worldwide patents for the Electrical Harmonizer. These patents are now fully amortized.

	Patents	Product Development	Total
	\$	\$	\$
Cost			
Balance at September 30, 2016	1,638,099	-	1,638,099
Additions	-	107,060	107,060
Balance at September 30, 2017	1,638,099	107,060	1,745,159
Additions	-	-	-
Balance at June 30, 2018	1,638,099	107,060	1,745,159
Amortization			
Balance at September 30, 2016	1,515,160	-	1,515,160

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

Additions	122,939	-	122,939
Balance at September 30, 2017	1,638,099	-	1,638,099
Additions	-	2,677	2,677
Balance at June 30, 2018	1,638,099	2,677	1,640,776
Carrying Amount			
At September 30, 2017	-	107,060	107,060
At June 30, 2018	-	104,383	104,383

7. INTANGIBLE ASSETS - continued

During the nine months ended June 30, 2018, all amounts related to development activities were expensed to product development. During fiscal 2017, activities associated with development of the Company's next generation technology were classified as having progressed from the research phase, into the development stage, thus certain related expenditures during the year were capitalized. The Company's next generation technology has reached the production phase and started to generate economic benefits thus amortization of development costs has commenced during the three months ended June 30, 2018 and will continue over the estimated useful economic life of the technology of 10 years.

8. WARRANTY PROVISION

	Total
	\$
Balance at September 30, 2016	192,000
Warranty fulfillments	(37,790)
Additional provision	61,021
Balance at September 30, 2017	215,231
Warranty fulfillments	(68,841)
Additional provision	86,829
Balance at June 30, 2018	233,219

The Company provides a warranty on its equipment for a period of 10 years. The warranty provision will be used to fulfill warranty claims, should they arise, over the 10-year warranty period provided to customers.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

i) Share Capital

The Company's authorized share capital is an unlimited number of common shares without par value. At June 30, 2018, the Company had 101,018,633 shares issued and outstanding. All issued common shares are fully paid. Contributed Surplus consists of the accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

	Common shares	Share capital
		\$
Balance, September 30, 2016	70,443,946	33,458,288
Issued with warrants exercise	12,342,312	4,962,965
Balance, September 30, 2017	82,786,258	38,421,253
Issued with private placement ⁽¹⁾	12,500,000	8,882,247
Over - allotment option ⁽²⁾	656,000	475,810
Issued with exercise of warrants	4,464,382	2,258,693
Issued with exercise of options	611,993	211,637
Balance June 30, 2018	101,018,633	50,249,640

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS – continued

- 1) On April 6, 2018, the Company completed a \$10 million private placement, issuing 12.5 million common shares at a price of \$0.80 per share. The Company paid a cash commission of \$531,240 to the underwriters and incurred additional share issue costs of \$373,627 in legal and filing fees bringing the net proceeds to \$9,095,133. The company issued 664,050 broker warrants to the underwriters in connection with this private placement. Each broker warrant entitles the holder to purchase one common share of the Company at \$0.80 per share until April 6, 2020. An amount of \$212,886 was recorded to share issue costs for the fair value of the brokers warrants issued to the underwriters, calculated using Black Scholes Model with the following assumptions: share price \$0.80, exercise price \$0.80, expected life 2 years, annual volatility 73% and risk-free rate 1.36%.
- 2) On April 30, 2018, the company completed an over-allotment option exercised by the underwriters in connection with the April 6, 2018 Offering. As a result, the Company issued an additional 656,000 common shares at a price \$0.80 per share for additional gross proceeds of \$524,800. The Company paid cash commission of \$31,488 to the underwriters and incurred additional cash share issue costs of \$5,000, bringing the net proceeds to \$488,312. The Company issued 39,360 brokers warrants to the underwriters at a price of \$0.80 expiring April 30, 2020. An additional amount of \$12,502 was recorded to share issue costs for the fair value of the broker warrants issued to the underwriters in connection with the over-allotment. Fair value of the 39,360 broker warrants was calculated using the Black Scholes pricing model using the following assumptions: share price \$0.80, exercise price \$0.80, expected term 2 years, annual volatility 71.78% and risk-free rate of 1.43%.

ii) Stock Options

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

The Company has an incentive share option plan (the “Plan”). Under the Plan a total of 10% of the Company’s outstanding common shares are reserved for the issuance of share options to directors, officers, employees and consultants. The terms of each option award are fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest over various time periods from the grant date to five years at the discretion of the board of directors.

A summary of the Company’s share options outstanding at June 30, 2018, including the changes during the period, is as follows:

	Share options	Weighted average exercise price
		\$
Balance, September 30, 2016	6,064,496	0.34
Granted	2,825,000	0.30
Forfeited	(446,667)	0.31
Expired	(183,333)	0.42
Balance, September 30, 2017	8,259,496	0.32
Granted	720,000	0.78
Exercised	(611,993)	0.29
Forfeited	(519,167)	0.35
Balance June 30, 2018	7,848,336	0.37

During the nine months ended June 30, 2018, the Company granted 720,000 (2017 – 2,825,000) stock options. The weighted average fair value of options granted during the nine months ended June 30, 2018 was \$0.34 per option (2017 - \$0.14).

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS – continued

During the nine months ended June 30, 2018, 611,993 (2017 – nil) stock options were exercised for total proceeds of \$180,332 (2017- \$nil). An amount of \$31,305 was transferred to share capital from contributed surplus in connection with these exercises (2017 - \$nil).

The fair value of share options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option-pricing model with the following assumptions during the nine months ended June 30, 2018 and 2017:

	2018	2017
Risk-free interest rate	1.52 - 2.02%	0.59 - 0.80%
Estimated volatility	84.58 - 88.06%	92.49 - 117.35%
Expected life (years)	3.00 - 3.50	3.00 - 3.36
Forfeiture rate	19.65 - 20.44%	21.32 - 21.99%
Dividend rate	0.00%	0.00%

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

The following table summarizes share options outstanding and exercisable at June 30, 2018:

Options outstanding	Options exercisable	Exercise price	Year of Expiry
		\$	
544,170	544,170	0.30	2018
2,620,000	2,620,000	0.20-0.55	2019
295,000	182,500	0.35-0.75	2020
1,734,999	1,167,779	0.25	2021
2,149,167	734,169	0.27-0.75	2022
505,000	-	0.68-0.92	2023
7,848,336	5,248,618		

iii) Warrants

The continuity of share purchase warrants during the nine months ended June 30, 2018 and fiscal year 2017 is as follows:

Number of warrants	Weighted average exercise price
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Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

		\$
Balance, September 30, 2016	16,806,694	0.35
Exercised	(12,342,312)	0.33
Balance, September 30, 2017	4,464,382	0.40
Exercised	(4,464,382)	0.40
Issued, broker warrants	703,410	0.80
Balance, June 30, 2018	703,410	0.80

During the nine months ended June 30, 2018, 4,464,382 warrants were exercised at \$0.40 each for total proceeds of \$1,785,753. An amount of \$472,940 was transferred to share capital from contributed surplus in connection with this exercise.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS – continued

In April 2018, the company issued 703,410 broker warrants to the underwriters in connection with the Offering and overallotment option. Each broker warrant entitles the holder to purchase one common share of the Company at \$0.80 per share until April 2020.

10. 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. The lease agreements require the following total remaining payments in each of the below fiscal years:

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

The lease payments are subject to changes or increases in additional rent, 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.

11. RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three and nine months ended June 30, 2018 and 2017.

(i) Transactions with Key Management Personnel:

The following amounts were incurred with respect to Key Management Personnel; being the Company's CEO and the CFO:

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended June 30, 2018, and 2017

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and fees to key management employees	96,946	85,028	285,335	250,479
Share-based compensation	103,465	38,241	158,522	112,172
	200,411	123,269	443,857	362,651

(ii) Transactions with Directors:

The following amounts were incurred with respect to non-executive directors of the Company:

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Share-based compensation	18,000	19,287	53,526	47,413

11. RELATED PARTY DISCLOSURES - continued

At June 30, 2018, a total of \$19,642 (2017-\$nil) was due to related parties for expenses reimbursement.

12. SUBSEQUENT EVENT

Subsequent to June 30, 2018, 444,170 stock options were exercised for total proceeds of \$119,251.