LEGEND POWER® SYSTEMS

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Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

Dated January 23, 2019

ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation of Legend Power Systems Inc. ("Legend" or the "Company"), is prepared as at January 23, 2019, and should be read in conjunction with the Company's consolidated financial statements and the accompanying notes for the years ended September 30, 2018 and 2017, and Company's Annual Information Form for the year ended September 30, 2017. The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars. Unless indicated otherwise, information in this MD&A is current as of January 23, 2019.

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

OUR BUSINESS

Legend Power Systems Inc. ("Legend Canada") and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) ("Legend U.S.") and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is an electrical energy conservation company that markets a patented device (the "SmartGATE™") 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 to regulate its voltage and lower its total power consumption. By ensuring a consistent and optimized voltage level across all loads, the SmartGATE™ 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 SmartGATE™, 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, airports, 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.

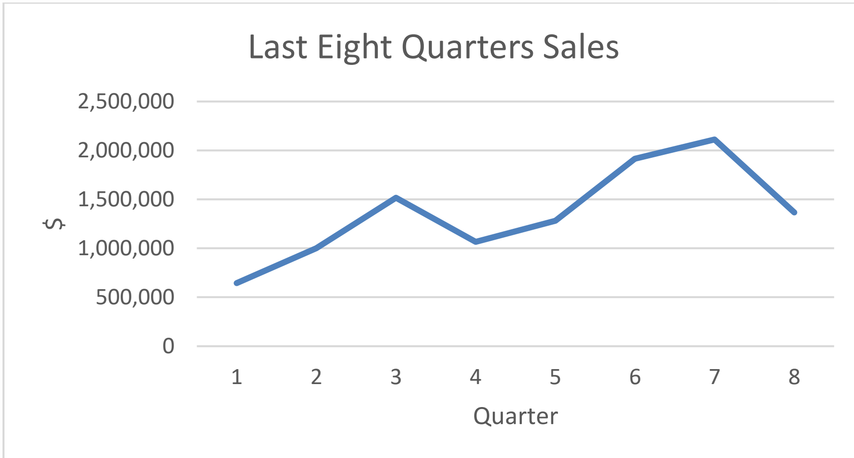
A core element of Legend's business plan is to leverage both direct and distribution sales channels to aggressively expand key recommender product adoption and market share in multiple geographic locations. Direct sales in the Province of Ontario is a notable revenue stream that additionally serves as a test bed for sales best practices and intelligence gathering. Expansion into the United States has begun with the establishment of a presence in New York City and the identification of up to five other highly prospective regions across the U.S. Each region will include a team comprised of business development, sales, and marketing professionals. It is management's view that successful expansion into the United States (or any other new market) is dependent on three primary criteria: 1) a high cost of electrical energy in the region; 2) local government incentives for customers to purchase Legend's technology; and 3) technology endorsement by "Key Influencers", such as local utilities and electrical contractors. Key Influencers are defined as individuals or organizations in a target market with whom Legend has proven its solution to be effective, and has developed a relationship that supplies active endorsement of the product's performances, value, and applicability to other potential customers within their sphere of influence.

Legend's research and development programs are focused on the creation, rapid development, and delivery of unique feature sets driven by customer feedback. It is anticipated that these feature sets will amongst other benefits, offer greater energy savings in all geographic territories and market verticals along with improved margins for the Company.

BUSINESS AND OPERATIONAL HIGHLIGHTS

Business Highlights for the fiscal year ended September 30, 2018:

- 56% year over year revenue growth
- A record, 74 units sold during year
- Blended gross profit margin of 45%
- Completed a $10.5 million bought deal, equity offering
- Received in excess of $2 million in proceeds from stock option and warrant exercises



Operational Highlights

New York

Existing, experienced members of Legend's senior sales staff have been relocated to New York to leverage the groundwork established over the last 12-months by the Company's business development team. Since the beginning of early 2018, business development activities in New York that include education, marketing and advertising, have resulted in forming key strategic partnerships with two organizations with successful track records facilitating U.S. expansion: 1) Lido Energy Partners, LLC ("Lido") an energy-sector focused business development consultancy, and 2) Skaled Consulting, LLC ("Skaled"), a sales consulting and strategy firm. Lido specializes in business development efforts for commercial entities and developers focusing on building out market development efforts for energy companies poised for rapid growth by navigating margin compression, regulatory uncertainty, rapidly evolving technology, geopolitical influence and steep competition to identify and seize on opportunities to facilitate top-line growth. Skaled is a leading U.S. based, sales consulting firm helping businesses optimize their sales process, people and technology by working with industry leaders such as LinkedIn, Microsoft and ADP to accelerate business growth and transforming customer generation into repeatable, short-term and long-term strategies. The company continues to form relationships with electrical firms, energy consultants, resellers, utility representatives, key influencers and prospective customers. The Company has seen meaningful growth in its New York sales funnel and is actively responding to an increasing number of customer requests for site assessments and project implementation proposals.

U.S. Expansion

The Company has identified and is targeting expansion to additional regions in the U.S. including: the pacific northwest, DC/ Baltimore/Maryland, New England, southern California, northern California, and the mid-west. The new regions were identified based on: utility rates, incentive programs, state-wide energy efficiency resource standards, growth forecasts, and energy efficiency programs. The Company has initiated the hiring of business development / sales personnel for each of the new targeted regions as they are sequentially opened.

Canada Sales

The Ontario region continued to exhibit sales growth with significant wins in the education vertical during fiscal 2018. Much as was the case with education, an investment of time and effort is required in other verticals to earn the right to sell. The Company is focused on maturing several other key verticals in the region to the point that we may successfully sell to customers within them. Reaching this point is expected to drive growth in our sales funnel resulting in multi-vertical sales in fiscal 2019. . During fiscal 2018 the Company received follow-on orders from seven existing customers for a total of 17 units. One of the follow-on orders for 10 units totalled $931,000, bringing the customer's total purchase of SmartGATE™ systems to 19 units. The Company also recorded sales to four first-time customers for a total of 12 units. Two existing customers also placed orders for the Company's new remote metering / analytics feature.

Sales in fiscal 2018 featured purchases by colleges and universities including five SmartGATE™ systems by an Ontario-based college, totalling $597,585. This is the Company's seventh sale in the post secondary subset of its Ontario education market vertical, and its third sale in fiscal 2018. Year-to-date, Legend Power's three contracts in this vertical have averaged 4.5 systems and $520,000. Compared to contracts typically seen in fiscal 2017 and the first half of fiscal 2018, these three contracts generally reflect a greater number of units sold, as well as higher margins.

Product Development

During 2018 the Company completed the installation of remote metering / analytics capability in 36 SmartGATE™ installations which provides customers with enhanced, real-time data on power performance in their commercial properties and do so on any device with a web browser. The system's simple, intuitive user interface then displays key customer metrics including consumption, savings, maintenance status, operational and other parameters directly to their-web enabled device via simple log-in. The remote metering / analytics system refreshes the database in real-time and updates the user interface every minute.

During fiscal 2018 the Company also completed the design of a new 4000 Amp system, which significantly exceeds the capacity of the previously largest system rated at 2500 Amp. The first 4000 Amp system was installed as a specified component in the overall electrical infrastructure per the construction of a major Canadian retailer's newest location. This represents the first time that one of Legend's SmartGATE™ systems was engineered into the construction of a multi-million-dollar energy unit. The enhanced capacity of the 4000 Amp system provides the Company a strong value proposition for the many prospective customers with buildings exhibiting significantly higher power demand, which Legend was not previously able to offer a solution for.

Marketing

During fall 2018 the Company completed product rebranding with the change from Harmonizer to SmartGATE™ to more accurately portray and communicate the energy efficiency inherent in our product to key customer verticals. We also engaged a digital marketing firm with the objective to create top-of-funnel leads for sales via online marketing and to understand how our prospective customers find us online. They also determined the largest opportunities across paid and organic search to attract prospects and develop a strategy to attract qualified prospects and early stage lead generation. We intensified our social media communication which led to significant increase in both viewership, participation and followers and initiated the use of video to explain/familiarize prospects with our product and to share existing customer testimonials.

Working Capital

As at September 30, 2018 the Company had working capital totaling $13.6 million, up from $4.1 million at September 30, 2017. The increase in 2018 was due in large part to the $10.5 million bought deal equity offering closed in April 2018, the exercise of 4,464,382 warrants at a price of $0.40 each for total proceeds of approximately $1.8 million, and the exercise of 1,056,163 options at prices ranging from $0.20 to $0.30 each for total proceeds of $299,584. As of September 30, 2018, the Company had approximately $10 million of cash and cash equivalents.

OUTLOOK

Beginning in Q2 of fiscal 2018, the Company began the process of aggressively pursuing growth in the New York region and taking the first steps in identifying and establishing an early presence in other regions in the U.S. To accomplish this, certain senior members of Legend's management team were either relocated to the U.S. and/or had a new and complete focus on U.S. expansion.

Scarce resources were leveraged to take on the significant challenge of "scaling-up" for growth which had unforeseen impacts on our existing business. In particular, the Company's Director of Sales relocated from Toronto in August and her day to day role leading the Ontario sales team, to New York City in a leadership role now encompassing both New York and Toronto sales. We believe this change of focus and other outside forces including uncertainty caused by the results of the Ontario Provincial election in June 2018 had a material impact on our Ontario sales in Q4 of fiscal 2018 which slow-down, in management's estimation will likely spill-over into Q1 of fiscal 2019.

Sales for the New York region in fiscal 2018 did not close within expected time frames or became larger in scope which also had an impact on Q4 fiscal 2018 results with a follow-on impact anticipated for Q1 of fiscal 2019. It is management's view that it's fiscally conservative approach to allocation of resources for U.S. expansion may have inhibited the timely realization of the sizeable opportunity in New York while also slowing the momentum established in Ontario based sales.

The Company acted to address observed sales weakness starting in early in Q1 of fiscal 2019 by engaging Skaled, a leading U.S. sales improvement organization and Lido, a New York based energy focused business development consulting firm (see PR dated October 31, 2018).

Skaled conducted a fundamental review (Canada and U.S.) of the Company's sales operations, processes and people and then delivered a detailed growth plan including a hiring agenda and onboarding plan as well as a sales playbook for sales training and development. The onboarding plan outlines a systemic and repeatable process to ensure development of consistent, high-end sales capabilities.

Lido is acting as a New York area ambassador making introductions for Legend throughout the New York energy market ecosystem as well as providing a framework for business development process and guidelines applicable for expansion in all new U.S. regions.

Management is confident that the strategies developed of Skaled and Lido as well as the impact of their day to day presence in the Organization will have a material positive impact on sales in the short-term and be the foundation for pursuing the significant growth opportunity in the U.S.

FINANCIAL RESULTS

Financial summary for the quarters and years ended September 30, 2018 and 2017.

	Three months ended September 30,			Year ended September 30,		
(Cdn$, unless noted otherwise)	2018	2017 (reclassified)[1]	Change	2018	2017 (reclassified)[1]	Change
Revenue	1,283,433	1,065,714	20%	6,595,063	4,228,756	56%
Cost of sales[2]	1,708,252	888,072	21%	3,604,254	2,332,768	54%
Gross margin[3]	205,181	177,642	15%	2,990,809	1,895,988	58%
Gross margin %[3]	16%	17%	(1)%	45%	45%	0%
Operating expenses	(1,441,263)	(1,154,348)	25%	(5,618,313)	(3,758,599)	49%
Adjusted EBITDA[4]	(1,050,094)	(809,354)	(30)%	(1,981,639)	(1,340,327)	(48)%
Net loss	(1,181,896)	(965,443)	22%	(2,559,385)	(1,846,687)	39%

[1] Previous year columns have been reclassified to conform with the presentation adopted in the fourth quarter of fiscal 2018.

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

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

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

Revenue for the fourth quarter of 2018 was $1,283,433, a 20% increase from $1,065,714 in the fourth quarter of fiscal 2017, while revenue increased by 56% in fiscal 2018 to $6,595,063 from $4,228,756 in 2017. The revenue increase in 2018 is due primarily to strong sales growth in the Ontario education vertical, both from new customer orders and follow-on orders. 100% of fiscal 2018 revenues were attributable to sales in Canada compared with fiscal 2017 when $58,396 or 1% of revenue was attributable to U.S. sales and $5,025,257 or 99% to sales in Canada.

Gross margin in the fourth quarter of fiscal 2018 was 16%, down from 17% in the fourth quarter of fiscal 2017. Gross margin for fiscal 2018 and 2017 were identical at 45%. The significantly lower gross margins experienced in the fourth quarter of both 2018 and 2017 were primarily the result of year-end adjustments to cost of goods sold relating to inventory valuation amounts (expected to be reversed in Q1) and a proportionately higher amount of low margin installation revenue recorded during those quarters. All gross margin was attributable to Legend Canada for the year ended September 30, 2018; 45% of Legend Canada and 10% of the Legend U.S. in fiscal 2017.

Adjusted EBITDA for the fourth quarter of fiscal 2018 decreased by 30% to negative $1,050,094, from negative $809,354 in the fourth quarter of fiscal 2017. For the year ended September 30, 2018 adjusted EBITDA was negative $1,981,639, compared to negative $1,340,327 in the year ended September 30, 2017. We expect this trend to continue during implementation of the Company's US growth strategy throughout 2019 as significant investment in the build out of new regions takes place.

Net loss for the fourth quarter of fiscal 2018 was $1,181,896, an increase of 22% from $965,443 in the fourth quarter of 2017. Net loss for the year ended September 30, 2018 was $2,559,385, an increase of 39% from $1,846,687 in the year ended September 30, 2017. The Company has assessed two operating segments based on geographical locations and management decision making: Legend Canada and Legend U.S. Details of net loss attributable to the Company's two operating segments are explained below.

i) Legend Canada incurred a loss of $844,119 in the fourth quarter of fiscal 2018, compared to $969,582 in the fourth quarter of 2017. The smaller loss in the comparative fourth quarters of 2018 and 2017 was due primarily to relocation of a number of employees to focus on the Company's U.S. growth strategy. Net loss for the year ended September 30, 2018 was $1,842,205, virtually unchanged from $1,850,826 in the same period of 2017.

ii) Legend U.S. incurred a net loss of $337,777 in the fourth quarter of 2018 compared with net income of $4,139 in the same period of fiscal 2017. Net loss in fiscal 2018 was $717,180 compared with net income of $4,139 in fiscal 2017. The increased loss in both periods was due to significant investments in salaries for ongoing business development and sales activities in NY and attendance at U.S. trade shows. See Operating expenses and other items – Legend U.S. Results below.

The Company's operating expenses for the quarter ended September 30, 2018 were $1,441,263, up from $1,154,348 in the same period of 2017. Fiscal year 2018 operating expenses were $5,618,313 up from $3,758,599 in fiscal 2017. The trend of higher operating expenses is expected to continue during this phase of the Company's U.S. expansion and then level off when the optimum number of U.S. regions has been established (currently projected at a total of 6 including NY).

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

Operating Expenses and Other Items

	Three-months ended September 30,			Years ended September 30,		
(Cdn$, unless noted otherwise)	2018	2017 (reclassified)	Change	2018	2017 (reclassified)	Change
Salaries and consulting fees	753,612	608,395	24%	2,957,528	1,968,328	50%
General and overhead	179,413	33,171	441%	819,724	468,795	75%
Selling costs	95,954	106,080	(10)%	650,239	363,577	79%
Professional fees	22,275	25,362	(12)%	163,977	124,627	32%
Warranty provision (adjustment)	134,977	(35,979)	475%	221,806	61,021	263%
Share-based compensation	77,768	156,125	(50)%	427,533	366,305	17%
Bad debt	-	-	-	48,943	-	-
Amortization and depreciation	41,111	11,227	242%	84,623	160,977	(47)%
Foreign exchange loss (gain)	60,085	-	-	84,766	(4,998)	1796%
Product development	76,068	249,967	(70)%	159,174	249,967	(36)%
Total operating expenses	**1,441,263**	**1,154,348**	25%	**5,618,313**	**3,758,599**	49%

Legend Canada – Operating Expenses:

- Salaries and consulting fees for the fourth quarter of 2018 were $518,626, down from $608,395 in the same period of 2017, and fiscal year 2018 costs were $2,454,742 up from $1,968,328 in 2017. The slight drop in salaries and consulting fees during the fourth quarter of 2018 was due to relocation of a number of employees to focus on the Company's U.S. growth strategy. The increase in salaries and consulting fees in fiscal 2018 is associated with the addition of 7 net new staff members in Canada during the year. In 2018 the Company added personnel as to; Sales 2; Operations 2; Marketing 2; and General and Admin 1. The Company also incurred severance costs which added to the increase of salaries and consulting fees expense in the current fiscal year. In fiscal 2017, certain salaries were capitalized to development costs; which added to the year over year salary increases reported.

- General and overhead costs for the fourth quarter of 2018 were $102,979, up from $33,171 in the same quarter of 2017. General and overhead costs for fiscal 2018 was $647,883 up from $468,795 in the same period of 2017. The increase in general and overhead costs during both comparative periods was due primarily to increased sales and business development focused travel, rent and higher office related costs, as well as marketing and filing fees.

- Selling costs in the fourth quarter of 2018 were $95,954, down from $106,080 in the same quarter of 2017. Fiscal year 2018 selling costs were $650,239, up from $363,577 in 2017. Selling costs is comprised primarily of sales commissions and fees paid to the Ontario Education Collaborative Marketplace ("OECM"). The decrease in selling costs in the fourth quarter of 2018 is due in most part to lower fees paid OECM as a result of proportionately lower sales in the education vertical. The increase in selling costs during 2018 is due to higher sales commissions and fees associated with higher sales during the year.

- Professional fees for the fourth quarter of 2018 were $9,872, down from $23,668 in the same period of 2017. Professional fees in fiscal 2018 were $150,388, up from $122,933 in the same period of 2017.

- Share-based compensation expense (all attributable to Legend Canada) is due to grants of incentive stock options to employees, officers, directors and consultants, and is expensed in relation to the Fair Value and vesting periods associated with the options granted, including past years grants. This expense for the fourth quarter of 2018 was $77,768, down from $156,125 in the same period of 2017. For fiscal 2018 share-based compensation expense was $427,533 up from $366,305 in fiscal 2017. Variations in the comparative periods is due to the number of options vesting in each period and the Fair Value of options granted. During the three months and year ended September 30, 2018, a total of 155,000 (2017 - nil) and 875,000 (2017 – 2,825,000) stock options, respectively, were granted to directors and employees.

- Product development costs were $76,068 for the fourth quarter of fiscal 2018, down from $249,967 in the same period of 2017, and during fiscal 2018 were $159,174, down from $249,967 in fiscal 2017. The primary reason for the decrease in both comparative periods was the re-allocation of engineering department time to additional high priority projects, which were expensed to salaries and consulting fees.

- Warranty provision for the fourth quarter of 2018 was $134,977, compared with an expense reversal of $35,979 in the same period of 2017. Warranty provision for fiscal 2018 was $221,806, up from $61,021 in fiscal year 2017. The increase in warranty provision in the fourth quarter of 2018 was driven by the install of an additional 20 units during that period, while the installation of 80 units during fiscal 2018 led to significant year-over-year increase. The Company provides a 10-year warranty with the sale of its SmartGATE™ systems. The Company's calculation of warranty provision is based on estimations and assumptions related to the need for replacement of certain parts of SmartGATE™ in the future.

- Amortization and depreciation costs for the fourth quarter of 2018 were $41,111, up from $11,227 in the fourth quarter of 2017. Amortization and depreciation costs during fiscal 2018 were $84,623, down from $160,977 in the same period of 2017. The year over year decrease for the year is due to the fact that no amortization of patent costs was recorded during fiscal 2018 as they were fully amortized in fiscal 2017, which was offset slightly by additional depreciation of recent equipment purchases and product development amortization which started in the third quarter of fiscal 2018.

Legend U.S. – Operating Expenses:

- Salaries and consulting fees for the fourth quarter of 2018 were $234,986 (2017 - $nil), and $502,786 for the fiscal year 2018 (2017 - $nil). During fiscal 2018, Legend U.S. hired 5 staff members and 2 Legend Canada sales management staff members transferred from Ontario to New York in the first half of 2018. The occurrence of salaries and consulting fees in Legend U.S. are as a result of the Company's U.S. growth strategy.

- General and overhead costs for the fourth quarter of 2018 were $76,434 (2017 - $nil) and $171,841 for fiscal year 2018 (2017 - $nil). The start and growth of U.S. operations has resulted in general and overhead costs comprised of: business development focused travel, marketing, rent, insurance and office expenses.

Quarterly Trends

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

(Cdn$, unless noted otherwise)

	Year ended September 30, 2017				Year ended September 30, 2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Reclassified							
Revenue	644,847	1,001,382	1,516,813	1,065,714	1,282,707	1,916,582	2,112,341	1,283,433
Gross margin[1]	323,817	578,572	815,957	177,642	478,784	996,585	1,310,259	205,181
Operating expenses	797,605	826,770	984,874	1,149,350	1,223,453	1,439,720	1,489,196	1,465,944
Operating loss	(473,788)	(248,198)	(168,917)	(976,706)	(744,669)	(443,135)	(178,937)	(1,260,763)
Net loss	(477,755)	(241,979)	(161,510)	(965,443)	(747,328)	(442,314)	(187,847)	(1,181,896)
Loss per common share[2]	(0.006)	(0.003)	(0.002)	(0.012)	(0.009)	(0.005)	(0.002)	(0.011)

[1] Gross margin is based on a blend of both equipment and installation revenue.
[2] Basic and diluted.

Q4 2018 revenues were lower than the trend established during Q2 and Q3 of fiscal 2018. The Company's primary focus was on U.S. expansion, and to a lesser extent investing in operations, new business segments and locations which are expected to produce results in 2019.

While in Q3 2018, the Company recorded yet again the highest quarterly revenue to date and relatively low net loss and loss per share, net loss did not decrease proportionately due to increased personnel and general and overhead costs. The increased costs were primarily the result of investments in U.S. expansion initiatives, internal installation team capacity, as well marketing initiatives.

In Q2 2018 the Company recorded its highest quarterly revenue to date, revenue, gross margin, and operating loss, reflecting 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 effect which in recent history has had a downward impact on revenue.

As anticipated, cost of sales and operating costs did also significantly increase in Q2 2018 and were higher than all previous quarters as unit sales increased and the company incurred additional personnel and overhead costs associated with building out its team.

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 as well as 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 prior to Q1 2017, which was due to strong revenue growth combined with the Company's success in controlling operating expenses.

Q2 2017 results were significant improvement in all aspects compared to the results of the fiscal 2016 quarters, which was due to strong revenue growth.

Q1 2017 results were significantly better than previous quarters as sales, gross margin, and net loss returned to the trend established in the first three quarters of 2016.

Select Annual Information

		Reclassified	
(Cdn$, unless noted otherwise)	2018	2017	2016
Revenue	6,595,063	4,228,756	2,079,126
Gross margin[1]	2,990,809	1,895,988	749,323
Operating loss	(2,627,504)	(1,862,611)	(2,438,169)
Net loss and comprehensive loss	(2,559,385)	(1,846,687)	(2,437,363)
Loss per share (basic and diluted)	(0.03)	(0.02)	(0.04)
Total assets	14,513,886	5,083,653	2,319,254
Total long-term financial liabilities	-	-	-
Cash dividend	-	-	-

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

	Years ended September 30,		
(Cdn$, unless noted otherwise)	2018	2017	Change
Cash used in operating activities	(2,640,070)	(3,863,191)	(32)%
Cash used in investing activities	(141,200)	(176,526)	(20)%
Cash provided by financing activities	11,664,218	4,067,297	187%
Total change in cash	**8,882,948**	**27,580**	32,108%

Cash used in operating activities
During the year ended September 30, 2018, cash used in operating activities was $2,640,070, down from $3,863,191 for the year ended September 30, 2017. The decrease in cash used in operating activities is due primarily to cash inflow from accounts receivable.

Cash used in investing activities
During the year ended September 30, 2018, cash used for investing activities was $141,200, down from $176,526 in fiscal 2017. The decrease is mostly due to: higher interest income received in 2018 $25,835 compared to $12,915 in 2017, a decrease in capitalized product development costs to $27,336 in 2018 compared to $107,060 in 2017, offset by purchase of equipment of $139,699 in 2018 compared to $82,381 in 2017.

Cash provided by financing activities

During the fiscal year 2018, cash provided from financing activities was $11,664,218, up from $4,067,297 in fiscal 2017. The significant increase was due primarily to $9,578,881 net proceeds from the equity financing completed in April 2018, as well as proceeds of $1,785,753 (2017 - $4,067,297) from 4,464,382 warrants (2017 – 12,342,312) and $299,584 from 1,056,163 options exercised during fiscal 2018 (2017 – $nil).

Working Capital Items

(Cdn$, unless noted otherwise)	at September 30, 2018	at September 30, 2017	Change
Cash	10,046,366	1,160,127	766%
Trade receivable	1,573,298	1,745,030	(10)%
Due from customers on contract	1,361,126	892,062	53%
Inventory	1,066,592	1,010,276	6%
Prepaids and deposits	192,603	84,693	127%
Total current assets	**14,239,985**	**4,892,188**	191%
Trade payables	501,138	592,760	(15)%
Accrued Liabilities	79,665	184,942	(57)%
Warranty provision	40,863	23,395	75%
Total current liabilities	**621,666**	**801,097**	(22)%
Working capital	**13,618,319**	**4,091,091**	233%

Liquidity and capital resources measures

As at September 30, 2018, the Company had cash and cash equivalents of $10,046,366 (September 30, 2017 - $1,160,127), total current assets of $14,239,985 (September 30, 2017 - $4,892,188) and current liabilities of $621,666 (September 30, 2017 - $801,097). As at September 30, 2018, the Company had working capital of $13,618,319 (September 30, 2017 - $4,091,091). An increase of approximately $9.5 million which is due primarily to the net proceeds of $9,578,881 from the equity financing closed in April 2018.

Based on working capital as at September 30, 2018, estimated cash requirements for the next twelve months and the Company's ability to timely collect accounts receivable, management believes the Company has sufficient working capital to continue business operations over the ensuing year.

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

Accounts Receivable

Accounts receivable at September 30, 2018 was $1,573,298 down from $1,745,030 at September 30, 2017 (both amounts are 100% attributable to Legend Canada). The Company's cash collection cycle is typically longer than most due to the varying nature of customer scheduling constraints, and the multi-step process associated with installation and commissioning of our technology; all of which is completed prior to final invoicing of a customer.

Due from Customers on contract

Due from customers on contract of $1,361,126 at September 30, 2018 and $892,062 at September 30, 2017 (both amounts 100% attributable to Legend Canada), relates to work performed on product sales where revenue has been recognized, however the amounts are still to be invoiced to the customers on completion of installation based on contract terms. The 53% increase is due to a relatively higher number of partially complete jobs underway at September 30, 2018 compared with the same date in 2017.

Inventory

Inventory at September 30, 2018 was $1,066,592, up slightly from $1,010,276 at September 30, 2017 (inventory amounts 100% attributable to Legend Canada). The Company's strategy is to advance purchase sufficient materials to fulfill at least 3-months of projected orders. The Company's ability to fulfill customer orders on a timely basis is dependent on carrying inventory of various components, in particular those components with lengthy lead times for delivery.

Prepaids

At September 30, 2018 prepaid amounts totaled $192,603, up from $84,693 at September 30, 2017. An amount of $177,071 (2017 - $84,693) of prepaids was attributable to Legend Canada and $15,532 (2017 - $Nil) to Legend U.S. This increase is due primarily to regional expansion and operations growth. Significant items included in prepaids consist of: prepaid contract manufacturing of parts sub-assemblies, rent deposits for the offices in Vancouver, Toronto and New York, deferred installation costs of $49,079 on a project, and prepaid insurance policies.

Current Liabilities

Trade payables and accrued liabilities at September 30, 2018 were $501,138 and $79,665 respectively, compared with $592,760 and $184,942 at September 30, 2017. The decrease in trade payables and accrued liabilities is due primarily to the Company implementing a more regular cycle of paying invoices compared to fiscal 2017. Trade payable are comprised of $480,708 attributable to Legend Canada and $20,430 attributable to Legend U.S. An amount of $28,915 of trade payables in Legend Canada are due to relate parties (2017 - $nil). Amount of accrued liabilities is comprised of $61,263 attributable to Legend Canada accruals for audit, filing, tax filing fees and other, and $18,402 attributable to Legend U.S. accruals primarily for consulting and tax filing. At September 30, 2017, all of the trade payables and accrued liabilities were attributable to Legend Canada. Current portion of warranty provision was $40,863 (2017 - $23,395) at September 30, 2018, all attributable to Legend Canada.

Contractual Obligations and Commitments

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

2019	$182,856
2020	$143,219
2021	$70,775

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.

During the year ended September 30, 2018 an amount of $153,787 (2017 - $112,482) was recorded to rent expense for the monthly lease payments.

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

Proposed Transactions
None.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2017	Net issued (equity offering, grants, cancellations, exercises)	Number outstanding at September 30, 2018	Net issued (grants, cancellations, exercises)	Number outstanding at January 23, 2019
Shares[1]	82,786,258	18,676,545	101,462,803	-	101,462,803
Options	8,259,496	(1,146,163)	7,113,333	(46,667)	7,066,666
Warrants	4,464,382	(4,464,382)	-	-	-
Broker Warrants	-	703,410	703,410	-	703,410

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

Incentive stock options
During the year ended September 30, 2018, the Company: granted 875,000 options with an average exercise price ranging from $0.55 to $0.92 each; 1,056,163 options were exercised for proceeds of $299,584; and 965,000 options expired or were forfeited. Subsequent to September 30, 2018 and to the date of this report 42,500 options expired or were forfeited.

Warrant exercises
During the year ended September 30, 2018, 4,464,382 warrants with an exercise price of $0.40 each, were exercised for total proceeds of $1,785,753, leaving no warrants outstanding.

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

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

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, 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

Legend was incorporated in 1987, in the Province of British Columbia under the name "Davic Enterprises Incorporated". In 1997, Legend changed its name to "RBD Enterprises Inc.", and in 2000, the Company changed its name to "Texas Gas & Oil Inc.". It wasn't until July 2, 2008 when the TSX Venture Exchange approved the Reverse Takeover of Texas Gas & Oil Inc. by Legend Power Systems Inc. when the Company also changed its name to Legend Power Systems Inc. that the Company switched its focus from oil and gas development to voltage optimization.

The Company has recently begun 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 SmartGATE™ 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 SmartGATE™, 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 SmartGATE™ in North America, outside of Ontario, remains to be proven and the Company's future growth will depend upon successful marketing of the SmartGATE™. If the market targeted by the Company fails to develop, develops slower than expected, is successfully and significantly penetrated by competitors or if the SmartGATE™ 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 SmartGATE™ is the only technology of its kind in North America and the Company holds patents on the technology in five countries. 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 none of them have all of the capabilities and features of the SmartGATE™. 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

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.

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 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. SmartGATE™ installations are done partly by the Company's employees and partly by local qualified electrical contractors. The ability to install the SmartGATE™ 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 SmartGATE™, 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 years ended September 30, 2018 and 2017. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

Transactions with Key Management Personnel

During the years ended September 30, 2018 and 2017, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

	Years ended June 30,	
(Cdn$, unless noted otherwise)	2018	2017
Salaries – R. Buchamer	225,000	201,042
Consulting fees – S. Vanry	149,691	138,048
Share based compensation – R. Buchamer	150,681	136,592
Share based compensation – S. Vanry	33,641	25,677
Total	**559,013**	**501,359**

Transactions with Other Related Parties

During the years ended September 30, 2018 and 2017, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell, Matt Walker and Dave Guebert, Cosimo La Porta(1), Michael Harcourt(2):

	Three months ended September 30,	
(Cdn$, unless noted otherwise)	2018	2017
Share-based compensation	68,089	72,569
Total	**68,089**	**72,569**

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

2) Michael Harcourt ceased to be a director on April 9, 2018.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

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 and it cannot reasonably estimate the impact of adoption except as stated below.

a) 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. The Company intends to adopt IFRS 9 in the fiscal year starting October 1, 2018 and is currently in the process of determining impacts of adoption.

b) IFRS 15 - *Revenue from contracts with customers*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and it creates a single source of revenue requirements for all entities in all industries. The main impact of IFRS 15 in preparation and disclosure of financial statements are as follows:

   i) IFRS 15 specifies how and when to recognize revenue through a five-step model framework for revenue recognition: identifying the contract, identifying the performance obligations (including bill on hold agreements) in the contract to determine which goods or services are distinct and require a separate performance obligation, determining the total transaction price (recognizing and allocating variable consideration), allocating the transaction price to the performance obligations, and determining whether revenue should be recognized at a point in time or through stages of completion. The main concept is that revenue should be recognized to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services.

   The Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018. The Company is in the process of assessing the final impact of the IFRS 15 on its consolidated financial statements. This standard may be adopted using a full retrospective or modified retrospective approach. The Company will finalize the transition method it will apply and quantify the financial reporting impact of adoption in the first quarter of fiscal 2019.

c) IFRS 16 – *Leases*. In January 2016, IFRS 16, was issued which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. IFRS 16 now prescribes the accounting policies and disclosures applicable to leases for both lessees and lessors. The standard replaces IAS 17, Leases, and is effective for annual periods beginning of after January 1, 2019 with earlier application permitted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, accounts payable and amounts due to related parties. The carrying values of these financial instruments approximate their fair values because of their short term nature.

Risk management

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

Foreign currency risk

The Company is exposed to the U.S. foreign exchange fluctuation risks through Legend U.S. operations and expenses incurred in U.S. dollars. As at September 30, 2018 all of Company's liquid assets and liabilities were held in Canadian dollars and U.S. dollars. A significant change in the U.S. dollar exchange rate relative to the Canadian dollar could affect the Company's results of operations. A change in the value of U.S. dollar by 10% relative to the Canadian dollar would affect the Company's net loss for the year ended September 30, 2018 by $43,000 (2017 - $nil).

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the year ended September 30, 2018 ranged from 0.5% to 1.6% (2017 – 0.5% to 1.4%). A 1% change in interest rates would affect the Company's results of operations for the year ended September 30, 2018 by approximately $54,700 (2017 - $11,500). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are believed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At September 30, 2018, receivables from four customers accounted for 60%, 14% and 14%, respectively of the Company's receivable balance for a total of 88% in aggregate. Receivables from three customers accounted for 11%, 13%, and 16%, respectively of the Company's receivable balance for a total of 40% in aggregate at September 30, 2017.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. As at September 30, 2018 the Company had cash and cash equivalents of $10,046,366 to settle its current liabilities of $621,666.

EBITDA RECONCILATION

We are disclosing Adjusted EBITDA as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before; interest, income taxes, amortization, non-cash stock-based compensation and foreign exchange gains and losses. Warranty expense is no longer included in the Adjusted EBITDA calculation, as such historical amounts have been updated. Management believes that this supplementary financials measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends. We believe the Adjusted EBITDA to be useful in providing an indication of the operational results of our business.

	Three months ended September 30,		Years ended September 30,	
(Cdn$, unless noted otherwise)	2018	2017	2018	2017
Net loss	(1,181,896)	(965,443)	(2,559,385)	(1,846,687)
Add / (deduct):				
Foreign exchange	60,085	(5,490)	84,766	(4,998)
Interest income	(47,162)	(5,773)	(68,119)	(15,924)
Amortization and depreciation	41,111	11,227	84,623	160,977
Share based compensation	77,768	156,125	427,533	366,305
Bad debt	-	-	48,943	-
Adjusted EBITDA	**(1,050,094)**	**(809,354)**	**(1,981,639)**	**(1,340,327)**

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 consolidated financial statements for the years ended September 30, 2018 and 2017;
· the Company's Annual Information Form for the year ended September 30, 2017.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Management's Discussion and Analysis.

On Behalf of the Board of Directors,
"Randy Buchamer"
Randy Buchamer
President, CEO and Director
January 23, 2019