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Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three months ended December 31 2019

(Expressed in Canadian Dollars)

Dated February 26, 2020

ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation of Legend Power Systems Inc. ("Legend" or the "Company"), is prepared as at February 26, 2020, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended December 31, 2019 and 2018 and accompanying notes. The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars. Unless indicated otherwise, information in this MD&A is current as of February 26, 2020.

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

OUR BUSINESS

Legend Power® Systems Inc. ("Legend Canada") and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) ("Legend U.S.") and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is a global leader in onsite energy management technology. The Company markets a patented device (the "SmartGATE™") which, combined with SmartGATE Insights™ (a metering and analytics package) is a single-solution energy management platform to enable owners/operators of and light-industrial and commercial buildings to overcome grid volatility challenges common to utilities around the world. Its modular design, particularly its software-driven controller, enables it to address issues today, and anticipates addressing many other energy management and power quality issues identified by the marketplace. Most buildings on a power grid receive inconsistent electrical voltage from their power utilities as a counteracting measure to mitigate the challenges of line-loss across a feeder length, and the variable nature of power demand. That variability is further exacerbated by the addition of renewable energy sources into the supply and its inconsistent production and availability. Voltage higher or lower than a building's equipment specifications negatively impacts the lifespan or availability of electrical equipment, creates unnecessary power consumption, and potential for 'brown-outs'. This results in higher monthly utility bills, premature equipment failure, a larger than necessary environmental footprint for the affected building, unpredictable power availability and potential resulting tenant/occupant issues. Legend utilizes a proprietary and patented technology platform to regulate a building's voltage and manage its total power consumption. By ensuring a consistent and optimized voltage level and managing or mitigating poor quality (including over/under voltage, voltage sags and swells, phase unbalance and power factor) across all loads, the SmartGATE™ ensures customers receive consistent power availability, reduce their electricity bills and maintenance costs, while maintaining and enhancing asset values and brand integrity. SmartGATE's intelligent controller also captures constant, real-time data flow on up to 200 parameters aggregated every minute and made available as data analytics insights to building management via wireless online portal.

Vision and Strategy

The Company's vision statement is - "To be recognized as a global leader in onsite energy management technology". The Company's products, the SmartGATE™ and SmartGATE Insights™, is an energy management platform that becomes the hub for managing and accommodating for the variable power levels that come from the grid. As the first point of contact for electricity 'after the meter', SmartGATE is the bridge between the incoming electricity, and all the building loads it is distributed to. It not only manages supply to optimal levels, but SmartGATE Insights™ gathers and analyzes power quality data in real-time providing visibility to everything in the process via customer-available analytics. Prospective customers are able to use detailed power quality data to assess the state of multiple buildings in a portfolio, and prioritize. While early sales were made on the basis of average energy savings of 4% to 8% for buildings in North America, the continued addition to the platform of energy management capabilities requested by customers will add revenue and change the nature of the sale. The typical payback period on an average system currently is between 3 to 4 years, making it a highly competitive energy saving option, especially with the cost of energy increasing in most jurisdictions.

A core element of Legend's enhanced business plan is enterprise-level sales of a portfolio solution, led with SmartGATE Insights as a means to analyze, and assess buildings to quantify financial risk and waste due to poor power quality, enabling a fact-based decision to prioritize SmartGATE deployment to fix or mitigate identified issues. This approach lowers price points for initial engagement, shortens time to SmartGATE purchase, increases likelihood of multi-unit SmartGATE purchases and compresses the sales cycle timeframe. Legend will 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 is underway with a presence in New York City, and Seattle, and the identification of up to three other highly prospective regions across the U.S. Each region will include a team comprised of business development, sales, and marketing professionals. It is management's view that successful expansion into the United States (or any other new market) is dependent on three primary criteria: 1) a high cost of electrical energy in the region; 2) a combination of local government incentives for customers to purchase Legend's technology, and presence of governmental compliance regulations vis a vis reduction of GHG emissions (carbon); 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. This focus has resulted in enhanced product solutions that are being readied and sold now. It is anticipated that these feature sets will, in addition to current energy savings benefits, eliminate organizational risk and waste from a range of power quality issues with cost-effective solutions not currently available to light-industrial/commercial markets. Given that key benefits are software-based, current benefits, and any future enhancements are easily delivered across all current or future geographic territories and market verticals, along with improved margins for the Company.

As of Q1, 2020 the Company is now marketing two products. The first, called SmartGATE Insights™, provides metering and analytics that analyzes 38 power quality parameters, so the system knows exactly what to correct. SmartGATE Insights easily connects to a building's power source and captures hundreds of data points, minute-by-minute, necessary to visualize major areas of power quality such as voltage sags/swells, phase unbalance and over/under voltage (to name a few) that can negatively impact a building and its tenants. This data is aggregated into a dashboard that can be accessed over the cloud providing the building operator complete visibility into how the building is operating including the amount of greenhouse gas emissions are being produced and will alert them to any power quality issues impacting the building. Insights is a stand-alone device and helps building managers and C-level real estate executives see in real-time what is happening across their portfolio of buildings.

The Company's second product, called the SmartGATE™, uses patented technology to correct the power issues uncovered by Insights. The most recently announced new version of SmartGATE™, set to be available in the summer of 2020, will come bundled with Insights so customers will be able to either use Insights to capture data first in a stand lone device or if they understand their issues can move immediately to deploying the SmartGATE™. The SmartGATE™ has the smallest footprint in the industry and addresses many more issues than anything management has seen in the marketplace to date. Its modular design enables it to address issues today, and future upgrades will address other energy management issues identified by the marketplace.

INDUSTRY AND CORPORATE UPDATE

Building Energy Efficiency for Decarbonization
Buildings are responsible for 36% of all carbon dioxide emissions in the United States.

According the U.S. Energy Information Administration ("EIA"), America's commercial sector consumed about 18%[1] of the nation's energy during the first 9 months of 2019. About 96%[2] (3.179 quadrillian Btus) of this energy was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 59.814 quadrillion Btus[3] during the same period, meaning that the commercial sector accounted for about 5% of America's carbon footprint.

State and municipal governments have added energy efficiency to building codes, and SmartGATE Insights helps keep building owners in compliance, especially in municipal jurisdictions where energy audits are mandated. New York City is particularly stringent about greenhouse gas emissions, having enacted its Climate Mobilization Act. New York City claims that 71% of greenhouse gas emissions are due to commercial buildings and has established emissions caps for buildings over 25,000 square feet. Seattle claims that building energy is responsible for 35% of the city's climate emissions, and Senate Bill 5293 proposes maximizing energy efficiency standards for buildings. In Washington, D.C., the CleanEnergy DC Omnibus

[1] December 2019 Monthly Energy Review, EIA, page 35
[2] Commercial Energy Sector Consumption, EIA
[3] December 2019 Monthly Energy Review, EIA, page 3

Amendment Act of 2018 has also set emissions standards for 50,000 square foot buildings in 2021, scaling down to 10,000 square foot buildings by 2026.

Energy efficiency action extends beyond governments and to businesses. Microsoft seeks to be carbon negative by 2030 and plans a shift to rely 100% on renewable energy by 2025. Blackrock's CEO announced a shift to investing in companies that require less fossil fuels. With fossil fuels anticipated to provide the majority of U.S. electricity generation through 2050[4], building energy efficiency is key to for most businesses to reduce their carbon footprints.

This applies to new green construction as well as retrofitting existing buildings with equipment that optimizes power systems such as HVAC, lighting, controllers and office equipment. In the past, quantifying energy efficiency in commercial buildings has been difficult. For example, how do you measure the energy losses from a 3-year old electrical elevator motor that ran hot and was undetected until it burnt out? Legend Power's SmartGATE Insights can detect building power issues so that owners can repair problems early, optimizing the efficiency of electrical equipment and systems. If you can't measure a problem, you can't fix it, and SmartGATE Insights has the data to make informed decisions about commercial building energy efficiency.

History of the Company

Founded in 1987, Legend Power Systems is an electrical energy conservation company that markets an energy management system called SmartGATE. SmartGATE consists of SmartGATE Insights, a diagnostic tool that provides metering and analytics across 38 power quality parameters, and the SmartGATE, patented technology that corrects the power issues uncovered by Insights.

The vision behind the current SmartGATE platform was driven by CEO Randy Buchamer, who joined as CEO in March 2012 to refocus the organization. Mr. Buchamer was Managing Director, Operations for The Jim Pattison Group and held executive roles with Mohawk Oil Company, where he restructured the firm and completed a successful turnaround. Part of Mr. Buchamer's focus was to concentrate on a single market (Ontario) and expand the model to other geographies, specifically the U.S., a market several times the magnitude of Ontario.

In 2017, the Company seemed to have broken the code with revenue more than doubling in that year. The Company raised $10 million in a bought deal financing at $0.80 with the plan to use that capital to expand the product portfolio and expand into New York and the Pacific Northwest.

Legend has spent the past year building out New York and building relationships with the key market participants including the utilities and ESCO's in the regions. After analyzing feedback from customers and the key market participants across all markets, the Company announced a new and improved SmartGATE platform and SmartGATE Insights data collection and analytics tool in fiscal Q1 2020 (period ending December 31, 2019).

Management is now in discussions with a number of potential customers for SmartGATE Insights and is making progress introducing both Insights and the SmartGATE platform to customers, utilities and ESCOs. So far management is receiving positive feedback and anticipates that sales of Insights could be a leading indicator for SmartGate sales, although timing on Insights' impact and whether or not this will be the case will still take a few quarters to validate and measure.

[4] Annual Energy Outlook 2019, EIA, page 21

FINANCIAL RESULTS

Financial summary for the three months ended December 31, 2019 and 2018.

	Three months ended December 31,		
(Cdn$, unless noted otherwise)	2019	2018	Change
Revenue	1,003,329	403,400	149%
Cost of sales	789,229	76,832	927%
Gross margin[1]	214,100	326,568	(34)%
Gross margin %[1]	21%	81%	(60)%
Operating expenses	(1,620,431)	(1,484,843)	9%
Adjusted EBITDA[2]	(1,325,161)	(1,048,352)	(26)%
Net loss	(1,482,198)	(1,091,332)	36%

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

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

Revenue for the first quarter of 2020 was $1,003,329, a 149% increase from $403,400 in the first quarter of fiscal 2019. The increase is primarily due to a large number of installations reaching substantial completion during the three months ended December 31, 2019 and a comparatively low amount of revenue recognized in the same period of the prior year.

Gross margin in the first quarter of fiscal 2020 was 21% down from 81% in the first quarter of fiscal 2019. The Company's long-term gross margin, has typically been approximately 45%. The significantly lower gross margins experienced in the first quarter of 2020 was due primarily to two projects completed for an early adopter, marquee, New York City customer. Early projects in new regions typically involve higher overall install costs, in particular electrical contractor costs due to a significant learning curve in understanding the nuances of installing a new and unfamiliar technology. The lower margin is also due to a disproportionate amount of total revenue derived from installation services (89%) during the quarter, which has historically yielded lower gross margins. The gross margin achieved in Q1 of fiscal 2019 was significantly above the Company's long-term average due to an inventory valuation adjustment which impacted cost of goods sold during the period.

Adjusted EBITDA for the first quarter of fiscal 2020 decreased by 26% to negative $1,325,161 from negative $1,048,352 in the first quarter of fiscal 2019. The decrease in EBITDA is due primarily to lower gross margin and higher operating costs incurred during Q1 of fiscal 2020.

Net loss for the first quarter of fiscal 2020 was $1,482,198, an increase of 36% from $1,091,332 in the first quarter of 2019. In spite of significantly higher revenue in Q1 of fiscal 2020, lower gross margin combined, higher operating costs and an inventory write-down, caused the increase in net loss compared with the same quarter in fiscal 2019.

The Company's operating expenses for the quarter ended December 31, 2020 were $1,620,431, up from $1,484,433 in the same period of 2019. The increase of $135,998 is due primarily to higher salaries and consulting fees, professional fees and foreign exchange loss offset by lower general & overhead and selling costs.

Significant Operating Expenses

	Three-months ended December 31,		
(Cdn$, unless noted otherwise)	2019	2018	Change
Salaries and consulting fees	1,009,752	892,959	13%
General and overhead	238,029	300,108	(21)%
Selling costs	79,574	100,621	(21)%
Professional fees	73,359	34,607	112%
Share-based compensation	118,860	95,089	25%
Warranty provision	11,594	35,314	(67)%
Amortization and depreciation	57,313	36,541	57%

- Salaries and consulting fees for the first quarter of 2020 were $1,009,752, up from $892,959 in the same period of 2019. The increase in salaries and consulting fees are primarily a result of higher payroll and severance costs incurred in relation to the sales teams in Toronto and NY.

- General and overhead costs for the first quarter of 2020 were $238,029, down from $300,108 in the same quarter of 2019. The decrease in general and overhead costs was due primarily to a $44,740 decrease in recorded rent resulting in most part from the adoption of IFRS-16 Leases (see page 14 for details), and a decrease of $22,688 in travel costs.

- Selling costs in the first quarter of 2020 were $79,574, down from $100,621 in the same quarter of 2019. Selling costs is comprised primarily of sales commissions and fees paid to the Ontario Education Collaborative Marketplace ("OECM"). The decrease in selling costs occurred in spite of higher sales in Q1 of 2020 compared with the same period in 2019 due to the fact that a significant amount of related commissions were already paid out in the prior period.

- Professional fees for the first quarter of 2020 were $73,359, up from $34,607 in the same period of 2019. The increase in professional fees is due primarily to higher audit, tax preparation and accounting consulting fees incurred during Q1 of fiscal 2020.

- Share-based compensation expense arises from 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 year's grants. This expense for the first quarter of 2020 was $118,860, up from $95,089 in the same period of 2019. The number of options vesting during the three months ended December, 2019 was 610,004, compared to 712,501 vesting in the same period of 2018, however the value per option vested in Q1 2020 was higher, causing the quarter over quarter increase.

- Warranty provision for the first quarter of 2020 was $11,594, compared with $35,314 in the same period of 2019. The Company provides a 10-year warranty with the sale of its SmartGATE™ systems. The Company's calculation of warranty provision is based on estimations and assumptions related to the need for replacement of certain parts of SmartGATE™ in the future. Warranty provision is calculated each reporting period based on actual warranty costs incurred and an updated projection of all future warranty claims.

- Amortization and depreciation for the first quarter of 2020 was $57,313, up from $36,541 in the same quarter of fiscal 2019. The increase is due primarily to the Company's adoption, on October 1, 2019, of IFRS 16 Lease Accounting, which results in the amortization of right-of-use assets to the income statement. See Note 3 of the Company's December 31, 2019 condensed interim consolidated financial statements for further details.

Quarterly Trends

Certain amounts for fiscal 2018 have been reclassified to conform with the presentation adopted in the fourth quarter of 2018.

(Cdn$, unless noted otherwise)

	Fiscal 2018			Fiscal 2019				Fiscal 2020
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Reclassified							
Revenue	1,916,582	2,112,341	1,283,433	403,400	769,443	676,139	485,543	1,003,329
Gross margin[1]	996,585	1,310,259	205,181	326,568	414,114	326,860	(96,994)	214,100
Operating expenses	1,443,702	1,489,196	1,465,944	1,484,843	1,845,557	1,544,329	1,476,684	1,620,431
Operating loss	(447,117)	(178,937)	(1,260,763)	(1,158,275)	(1,431,443)	(1,217,469)	(1,573,678)	(1,406,331)
Net loss	(442,314)	(187,847)	(1,181,896)	(1,091,332)	(1,402,451)	(1,176,154)	(2,423,219)	(1,482,198)
Loss per common share[2]	(0.005)	(0.002)	(0.011)	(0.011)	(0.014)	(0.012)	(0.023)	(0.015)

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

Our quarterly revenues do naturally fluctuate, which management deems consistent with a technology company perfecting the execution of its business model while transitioning through a high growth stage. The Company's sales cycle has historically been up to 12 months which exposes reported revenue to unevenness related to customer buying cycles. This unevenness in revenue has historically been seasonal and most pronounced during the Company's fourth quarter.

Our gross margin on a quarterly basis is variable and reflects the mix of product versus install revenue and any inventory adjustments/write-offs that are tied to changes in component pricing, technology, and product offering/design. During Q1 2020, lower gross margins were the result of installation pricing (see page 6, Gross Margin). In Q4 2019 the significantly lower gross margins experienced were primarily the result of production overhead allocations to cost of goods sold. In Q4 2018 lower gross margins were primarily due to inventory valuation procedures which impacted cost of goods sold and a proportionately higher amount of low margin installation revenue recognized.

Operating costs have been relatively stable with a slight upward trend, other than the increases seen in Q2 of fiscal 2019 and Q1 of fiscal 2020. The upward trend is due to primarily to increased staffing and related travel and administrative support.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

	Three months ended December 31,		
(Cdn$, unless noted otherwise)	2019	2018	Change
Cash used in operating activities	(1,378,041)	(338,928)	307%
Cash used in investing activities	(53,126)	(112,257)	(53)%
Cash provided by financing activities	-	-	-
Total change in cash used	**(1,431,167)**	**(451,185)**	217%

Cash used in operating activities
During the three months ended December 31, 2019, cash used in operating activities was $1,378,041, up from $338,928 in the same three-month period of 2018. The increase in cash used in operating activities is due in most part to (all approximate) an increase in quarterly loss of $500,000, and non-cash adjustments for; increase in foreign exchange loss of $22,000; increase in inventory valuation adjustment of $233,000; increase in receivables of $648,000; increase in due from customers of $942,000; offset by an increase in inventory purchased on account of $382,000 and decrease in accounts payable and accrued liabilities of $342,000.

Cash used in investing activities
During the three months ended December 31, 2019, cash used for investing activities was $53,126, a decrease from $112,257 in the same period of 2018. The decrease is primarily due to the Company expensing development costs in Q1 of fiscal 2020 compared with Q1 of fiscal 2019 when they were capitalized, which was offset slightly by an increase in investments in property and equipment.

Cash provided by financing activities
During the three months ending December 2019 and 2018 no cash was provided through financing activities.

Working Capital Items

(Cdn$, unless noted otherwise)	at December 31, 2019	at September 30, 2019	Change
Cash	4,245,702	5,677,537	(25)%
Trade receivables	621,267	655,320	(5)%
Due from customers on contract	1,306,814	891,288	47%
Inventory	1,158,016	1,255,737	(8)%
Prepaids and deposits	68,698	130,118	(47)%
Total current assets	**7,400,497**	**8,610,000**	(14)%
Trade payables	308,091	343,258	(10)%
Accrued liabilities	515,997	249,906	106%
Lease liabilities	109,439	-	-
Warranty provision	89,830	99,122	(9)%
Total current liabilities	**1,023,357**	**692,286**	48%
Working capital	**6,377,140**	**7,917,714**	(19)%

Liquidity and capital resources measures

As at December 31, 2019, the Company had cash and cash equivalents of $4,245,702 (September 30, 2019 - $5,677,537), total current assets of $7,400,497 (September 30, 2019 - $8,610,000) and current liabilities of $1,023,357 (September 30, 2019 - $692,286). As at December 31, 2019, the Company had working capital of $6,377,140 (September 30, 2019 - $7,917,714).

Based on working capital as at December 31, 2019, estimated cash inflows and requirements for fiscal 2020 and the Company's ability to timely collect accounts receivable, management believes the Company has sufficient working capital to continue business operations for the balance of the ensuing fiscal year. In the event that revenues increase, the Company's ability to operate and grow the business will be extended.

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.

Trade Receivables

Accounts receivable at December 31, 2019 was $621,267 down from $655,320 at September 30, 2019. 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.

Due from Customers on contract

Due from customers on contract of $1,306,814 at December 31, 2019 and $891,288 at September 30, 2019, relates to systems delivered and/or installation services provided for sales transactions where revenue has been recognized, but customers have not yet been invoiced. The increase in amounts due from customers on contract is due primarily to a number of substantially complete customer installations which were awaiting finalization and invoicing at December 31, 2019.

Inventory

Inventory at December 31, 2019 was $1,158,016, an 8% decrease from $1,255,737 at September 30, 2019. The decrease in inventory is primarily attributable to order fulfillment from existing inventory, a valuation adjustment of $77,008 and a write-off of $17,210 related to equipment damaged in transit. 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.

Current Liabilities

Trade payables and accrued liabilities at December 31, 2019 were $308,091 and $515,997 respectively, compared with $343,258 and $249,906 at September 30, 2019. Trade payables and accrued liabilities tend to fluctuate with no particular pattern. Accrued liabilities did comparatively increase during the 3 months ended December 31, 2019 primarily due to accruals for contractor installation services.

As of October 1, 2019, the Company adopted IFRS-16 Leases, which resulted in the recording of a current lease liability at December 31, 2019 of $109,439 (see pages 14-16 for details).

At December 31, 2019 the current portion of warranty provision was $89,830 compared with $99,122 at September 30, 2019.

Contractual Obligations and Commitments

On March 22, 2018 the Company entered into an agreement to lease premises in Vancouver, B.C. which requires the following minimum lease payments in each of the below fiscal years:

2020	$150,845
2021	$70,841

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.

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.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2019	Net issued (equity offering, grants, cancellations, exercises or forfeitures)	Number outstanding at December 31, 2019	Net issued (grants, cancellations, exercises)	Number outstanding at February 26, 2020
Shares[1]	101,850,303	-	101,850,303	-	101,850,303
Options	6,993,333	369,170	7,362,503	(148,332)	7,214,171
Broker Warrants	703,410	-	703,410	-	703,410

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

Incentive stock options
During the three-months ended December 31, 2019, 745,000 stock options were granted, nil were exercised, 250,000 expired and 125,830 stock options were forfeited. Subsequent to December 31, 2019 and to the date of this report a total of 20,000 stock options were granted and 168,332 were forfeited.

Broker warrants
During April 2018, as part of a public 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. The risks and uncertainties discussed in the Company's MD&A dated January 28, 2020, remain unchanged.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three months ended December 31, 2019 and 2018. The terms and conditions of the transactions with key management personnel and non-executive directors and/or their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

Transactions with Key Management Personnel

During the three months ended December 31, 2019 and 2018, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

	Three months ended December 31,	
(Cdn$, unless noted otherwise)	2019	2018
Salary – R. Buchamer	62,500	56,250
Consulting fees – S. Vanry	46,250	52,187
Share based compensation – R. Buchamer	37,953	16,441
Share based compensation – S. Vanry	16,826	8,220
Total	**163,529**	**133,098**

Transactions with Other Related Parties

During the three months ended December 31, 2019 and 2018, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Jamie Blundell[(2)], Matt Walker[(2)], Dave Guebert, Cosimo La Porta[(1)]):

	Three months ended December 31,	
(Cdn$, unless noted otherwise)	2019	2018
Share-based compensation	31,562	36,905
Total	**31,562**	**36,905**

[1] *Cosimo La Porta was appointed director of the Company on April 12, 2018.*
[2] *Jamie Blundell and Matt Walker ceased to be directors on June 20, 2019.*

At December 31, 2019, a total of $16,188 (September 30, 2019 - $Nil) was due to related parties for consulting fees and expenses reimbursement.

NEW ACCOUNTING STANDARDS ADOPTED

Commencing October 1, 2019, the Company applied for the first time, IFRS 16, Leases. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16, Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, and other related Standard Interpretations Committee ("SIC") interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and require lessees to account for most leases under a single on-balance sheet model.

On adoption of IFRS 16, the Company recognized a lease liability in relation to property leases, vehicle leases and equipment leases which had previously been classified as 'operating leases' under the principle of IAS 17. As of October 1, 2019, these liabilities were measured at the present value of the remaining lease payments discounted at 10%, which reflects the lessee's incremental borrowing rate to finance the purchase of similar property. The Company has applied IFRS 16 using the modified retrospective approach, whereby the cumulative effect of adopting IFRS 16, if any, is recognized as an adjustment to opening retained earnings as at October 1, 2019, with no restatement of comparative information. Under this method using the practical expedient available, the Company has recognized the right of use asset equal to the lease liability less any lease incentives received.

The lease liabilities as at October 1, 2019 can be reconciled to the operating lease commitments as of September 30, 2019 as follows:

	$
Operating lease commitments as at September 30, 2019	247,913
Incremental borrowing rate as at October 1, 2019	10%
Discounted operating lease commitments at October 1, 2019	229,565
Lease liability recognized as at October 1, 2019	**229,565**

The right-of-use assets associated with these property leases were initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognized in the consolidated statement of financial position as at September 30, 2019.

<u>Practical expedients applied</u>

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessments previously made in applying IAS 17 and IFRIC 4.

Based on the foregoing, as at October 1, 2019:

- Right-of-use assets of $206,800 were recognized and presented separately in the interim condensed consolidated statement of financial position.

- Lease liabilities of $229,565 were recognized and presented separately in the interim condensed consolidated statement of financial position.

<u>Summary of new accounting policies</u>

The Company has adopted the following new accounting policies upon implementation of IFRS 16 on October 1, 2019:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments). The lease payments also include the exercise price of purchase options, if any, reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Summary of new significant judgements</u>

Determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of one to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, including the consideration of all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew. The Company included the renewal period as part of the lease term for substantially all of its property leases due to the significance of these assets to its operations.

Amount recognized in the statement of financial position and statements of comprehensive loss

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the three-month period ended December 31, 2019.

	Right-of-use assets	**Lease liabilities**
	$	**$**
As at October 1, 2019	206,800	229,565
Depreciation expense	(33,158)	-
Interest expense	-	5,146
Payments	-	(38,241)
As at December 31, 2019	**173,642**	**196,470**

Depreciation of right-of-use assets is included in general and administration expenses. Interest expense related to lease liabilities is included in debenture and other interest expense.

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 US dollar versus Canadian dollar exchange rate fluctuation risks through operations of its US subsidiary and expenses incurred in US dollars. As at December 31, 2019 all of Company's liquid assets and liabilities were held in Canadian dollars and US dollars. A significant change in the USD exchange rate relative to the Canadian dollar could affect the Company's results of operations. A change in the value of US dollar by 10% relative to the value of the Canadian dollar would have affected the Company's results of operations for the three months ended December 31, 2019 by approximately $23,871 (2018 - $26,000).

Interest rate risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk due to its potential impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the three months ended December 31, 2019 averaged 1.25% (2018 – 0.5% to 1.6%). A 1% change in interest rates would have affected the Company's results of operations for the three months ended December 31, 2019 by approximately $11,376 (2018 - $94,000). The Company does not have any interest-bearing liabilities.

Credit risk
Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are deemed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At December 31, 2019, trade receivables from four of our customers accounted for 12%, 18%, 24% and 43% respectively of the Company's trade receivables balance for a total 97% in aggregate. At September 30, 2019, trade receivables from five of our customers accounted for 10%, 12%, 15%, 20% and 21% respectively of the Company's trade receivables balance for a total 90% in aggregate. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at September 30, 2019.

Liquidity risk
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at December 31, 2019 the Company had cash and cash equivalents of $4,245,702 to settle its current liabilities of $1,023,357.

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 December 31,	
(Cdn$, unless noted otherwise)	2019	2018
Net loss	(1,482,198)	(1,091,332)
Add / (deduct):		
Foreign exchange	(785)	(21,707)
Interest income	(18,351)	(66,943)
Amortization and depreciation	57,313	36,541
Share based compensation	118,860	95,089
Adjusted EBITDA	**(1,325,161)**	**(1,048,352)**

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:
· SEDAR at www.sedar.com;
· the Company's website at www.legendpower.com;
· the Company's condensed interim consolidated financial statements for the three months ended December 31, 2019 and 2018;
· the Company's consolidated financial statements for the years ended September 30, 2019 and 2018

Approval

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

On Behalf of the Board of Directors,
"Randy Buchamer"
Randy Buchamer
President, CEO and Director, February 26, 2020