Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three months ended December 2016

(Unaudited - Expressed in Canadian Dollars)

Dated February 22, 2017

ABOUT THIS MD&A

This discussion and analysis of financial position and results of operation is prepared as at February 22, 2017, and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes for the three months ended December 31, 2016 and consolidated financial statements and the accompanying notes for the years ended September 30, 2016 and 2015 of Legend Power Systems Inc. ("Legend" or the "Company"). The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all comparative information provided is in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian Dollars.

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

OUR BUSINESS

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

building, the Electrical Harmonizer helps customers reduce their electricity bills and maintenance costs while increasing the life of electrical equipment.

Vision and Strategy

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

Legend's business plan is to aggressively expand out our sales plan, based on proven customer results and key recommender product adoption in the Province of Ontario. We will expand into the north eastern United States in fiscal 2017. It is management's view that successful expansion into the United States or any other new market is dependent on three primary criteria 1) high, local electrical energy costs; 2) local government incentives for customers to purchase our technology; and 3) endorsement of our technology by "Key Influencers", such as local utilities and electrical contractors. We define Key Influencers as individuals or organizations in our target markets with whom Legend has proved out the performance of our solutions and developed a relationship such that they understand and endorse our technology, its benefits and applicability for potential customers within their sphere of influence.

The Company has recently completed research and development projects which have provided new and or enhanced products for; 1) Canada's modern 600 volt standard which allows Legend to better address opportunities in market verticals such as retail, commercial and light industrial; 2) Canada's older 208 volt standard which is aimed at the multi residential and schools verticals; and 3) the 480 volt market which provides capabilities for all verticals in the US market. Currently, our research and development is focused on the development of a new architectural platform with the aim of achieving greater customer energy savings in all of our geographic and market verticals along with improved margins for the Company. The ability to visually display energy usage data to improve energy decisions will be a key feature of our next generation architecture.

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

OVERALL PERFORMANCE

For the three months ended December 31, 2016

Summary:

- Achieved revenue of $644,847
- Blended gross profit margin of 43%
- 9 unique customer transactions
- Total of 11 unit sales
- $58,622 average unit sales price
- Committed orders for 20 units

Beginning with this Management's Discussion and Analysis, the Company is reporting committed orders, a non-IFRS measure, which is a supplementary indicator of sales activity.

We are presenting this measure because we believe it provides the reader a clearer and more current understanding of the Company's sales activity which is typically not apparent until much later when components of a sale have achieved revenue recognition criteria.

The measure does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines committed orders as the total number of units committed for purchase by customers, evidenced by either a purchase order, purchase agreement or both as at the date of this MD&A, which had not been recognized in revenue during the proceeding financial periods.

Given the magnitude of our committed orders, the Company has made the strategic decision to invest in the raw materials and components to satisfy at least 3-months of customer orders.

Corporate Update

The Legend Power sales team continued to increase opportunity flow in core target markets during the quarter. Several proof-of-concept deals are expected to move to full product rollouts as new opportunities and markets continue to materialize. Revenue of $644,847 was realized in the first quarter of fiscal 2017 and the company boasts a sizeable number of Committed orders.

In many ways, the beginning of Legend's Fiscal year was the beginning of its transition from a startup entity to a growth stage company. The Company has a strengthened balance sheet, the product is a strong performer offering appreciable value, and the five pillars required to support a growth stage company are now in place. The five pillars are:

1. Having the right people;
2. Sufficient capital to fuel growth;
3. The operational capacity to support growing sales;
4. A proven product that meets or exceeds customer expectations; and
5. Demonstrable customer success with anticipated sales growth.

The primary operational initiatives Legend Power is focused on are:

- Methodical sales growth – introduction of Legend to new geographical regions
    - Implement major account management methodology
    - Leverage marketing plan as an enabler and accelerator of sales
    - Develop and introduce a professional "reseller franchise" offering
- Increase profitability
    - Proactive cost management
    - Margin improvement for installation component of sale
- Manage working capital requirements
- Improve field service levels to shorten sales cycle and increase customer satisfaction
- Deliver next generation product on time and on budget

RESULTS OF OPERATIONS

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

Financial summary for the three month periods ended December, 2016 and 2015

	Three-months ended December 31		
(Cdn$, unless noted otherwise)	2016	2015	Change
Revenue	644,847	533,387	20.9%
Cost of sales	369,688	392,161	(5.7)%
Gross margin[1]	275,159	141,226	94.8%
Gross margin %	42.7%	26.5%	16.2%
Operating expenses	748,947	671,597	11.5%
Operating expenses as % of sales	116.1%	125.9%	(9.8)%
Adjusted EBITDA[2]	(345,714)	(372,941)	7.3%
Net (loss)[3]	(477,755)	(530,130)	(9.9)%

[1] Gross margin is based on a blend of both equipment and installation revenue.
[2] Adjusted EBITDA; for the three months ended December, 2016 and 2015, we are disclosing Adjusted EBITDA, which is a non-IFRS financial measure, as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before interest, income taxes, amortization, foreign exchange amounts and non-cash stock based compensation.
[3] Before other items.

Revenue for the first quarter of 2017 was $644,847, up from $533,387 in the same period of fiscal 2016. The increase is primarily attributable to 11-units being sold in Q1 2017 compared with 9-units in Q1 2016. Of the 11-units sold by the Company in the quarter; 9 were in the Province of Ontario, 1 in British Columbia and 1 in New Brunswick.

Gross margin % in the first quarter was 42.7%, up from 26.5% in 2016. The increase was due primarily to a mix of sales contracts in Q1 2017 weighted more heavily towards agreements exclusively for supply of high margin equipment without install services. Management expects gross blended margin to improve with volume, cost optimization, product mix and the introduction of updates to our technology.

Operating expense as a percentage of sales in the first quarter was 116.1% compared with 125.9% in the same quarter of 2016. The decrease is due primarily to a 20.9% increase in sales in the current period with a corresponding increase in operating expense of only 11.5%.

First quarter 2017 EBITDA was negative $345,714 compared with negative $372,941 in 2016. The Company was able to realize these improved results by achieving stronger sales and gross margin, which was offset slightly by higher operating expenses.

Net loss for the first quarter was $477,755, down from $530,130 in 2016.

Included in the first quarter loss were several significant non-cash items, which totaled $124,324 compared with $156,690 in 2016.

Operating Expenses and Other Items

	Three-months ended December 31		
(Cdn$, unless noted otherwise)	2016	2015	Change
Amortization and depreciation	47,929	44,903	6.7%
General and overhead	163,009	118,346	37.7%
Professional fees	28,625	23,447	22.1%
Salaries and consulting fees	432,989	373,114	16.0%
Share-based compensation	63,395	77,787	(18.5)%
Warranty provision	13,000	34,000	(61.8)%
Total operating expenses[1]	**748,947**	**671,597**	11.5%

[1] Before other items.

Total operating expenses for Q1 2017 increased to $748,947 from $671,597 in same period of 2016.

Select expenses include:

- Amortization and depreciation costs for the first quarter of 2017 were $47,929, up slightly from $44,903 in the same period of 2016. The small increase is due to additional depreciation on recent equipment purchases. Amortization, which relates to patent costs, did not vary from the prior year's comparative period.

- General and overhead costs for the first quarter were $163,009, up from $118,346 in the same period of 2016. The increase in costs was due primarily to higher customer site audit costs, office related costs and growth in costs associated with sales and business development focused travel.

- Professional fees for the first quarter were $28,625, up slightly from $23,447 in the same period of 2016. The higher costs in Q1 2017 compared with the same period in 2016 is due to an increase in legal fees for regulatory related filings.

- Salaries and consulting fees for the first quarter were $432,989, up from $373,114 in the same period of 2016. The increases are due primarily to the addition of personnel as to; sales (1) and accounting (1), engineering (1) and production (1).

- Share-based compensation expense for the first quarter was $63,395, down from $77,787 in the same period of 2016. Share-based compensation expense is attributable to grants of incentive stock options to employees, officers, directors and consultants. Share based compensation is recognized and expensed in relation to the Fair Market Value and vesting periods associated with the options. Variation in the year over year periods is due to comparatively lower numbers of options vesting.

- Warranty provision for the first quarter was $13,000, down from $34,000 in the same period of 2016. The decrease is due primarily to the fact that no warranty fulfillments costs were incurred in Q1 2017 and a number of historical unit sales reached their 10-year anniversary and warranty expiration.

Quarterly Trends

(Cdn$, unless noted otherwise)

	2015 (Restated)			2016 (Restated)				2017
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	51,948	75,823	30,880	533,387	914,413	588,982	42,344	644,847
Gross margin[1]	30,803	10,354	(8,191)	141,226	356,727	304,720	(172,443)	275,159
Operating expenses	755,715	694,827	817,777	671,597	716,024	879,240	801,538	748,947
Loss before other items	(724,912)	(684,473)	(825,968)	(530,371)	(359,297)	(574,520)	(973,981)	(473,788)
Net loss	(725,427)	(684,988)	(826,484)	(530,130)	(357,280)	(574,370)	(975,583)	(477,755)
Loss per common share[2]	(0.013)	(0.012)	(0.014)	(0.01)	(0.006)	(0.009)	(0.012)	(0.01)

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

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

First quarter 2017 results were significantly better than Q4 of 2016 as sales, gross margin, and net loss returned to the trend established in the first three quarters of 2016.

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

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

Q1, Q2 and Q3 2016 revenues and gross margin were substantially over the 2015 trend, which is due to strong product demand generated by the Company's ability to consistently deliver on energy savings for its customers and the success of our new sales team in penetrating the Ontario market.

Operating expenses have been relatively stable between Q1 2015 and Q1 2017, which is due to management's careful allocation of working capital. Operating expenses are expected to grow in 2017 as the Company undertakes marketing and sales campaigns.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

	Three months ended December 31		
(Cdn$, unless noted otherwise)	2016	2015	Change
Cash used in operating activities	(1,062,903)	(539,785)	96.9%
Cash used in investing activities	(66,830)	(550)	12,051%
Cash provided by financing activities	2,333,549	1,634,346	42.8%
Total change in cash	**1,203,816**	**1,094,011**	10.0%

Cash used in operating activities

During the first quarter of 2017, cash used in operating activities was $1,062,903, up significantly from $539,785 from the same period in 2016. The increase is due to a significant investment in inventory which contributed $386,557 of the increase in cash used as well as a net change in accounts payable of $314,978 which increases were offset slightly by a lower net loss for the first quarter 2017 of $52,375.

Cash used in investing activities

During the first quarter, cash used for investing activities was $66,830, up significantly from $550 in the same period of 2016. The increase is due to product development costs for the Company's next generation Harmonizer and furniture and electronic equipment purchases.

Cash provided by financing activities

During the first quarter, cash provided from financing activities was $2.33 million, up from $1.63 million in 2016. The increase of $0.70 million relates primarily to proceeds from the exercise of 7,549,054 warrants at $0.30 each and 458,890 at $0.15 each in Q1 2017, compared with an equity private placement for net proceeds of $1.63 million in 2016.

Working Capital Items

(Cdn$, unless noted otherwise)	at December 31, 2016	at September 30, 2016	Change
Cash	2,336,363	1,132,547	106.3%
Accounts receivable	832,385	504,624	65.0%
Inventory	715,385	469,666	52.3%
Prepaids	49,759	49,416	0.7%
Total current assets	**3,933,892**	**2,156,253**	82.4%
Trade payables	293,549	401,670	(26.9)%
Accrued Liabilities	194,251	221,779	(12.4)%
Total current liabilities	**487,800**	**623,449**	(21.8)%
Working capital	**3,446,092**	**1,532,804**	124.8%

Liquidity and capital resources measures
As at December 31, 2016, the Company had cash of $2,336,363 (September 30, 2016 - $1,132,547), total current assets of $3,933,892 (September 30, 2016 - $2,156,253) and current liabilities of $487,800 (September 30, 2016 - $623,449). As at December 31, 2016, the Company had working capital of $3,446,092 (September 30, 2016 - $1,532,804).

Based on working capital as at December 31, 2016, estimated cash requirements for the balance of fiscal 2017 and the Company's ability to timely collect accounts receivable, management believes the Company has sufficient working capital to continue business operations over at least the next twelve months.

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

Accounts Receivable
Accounts receivable at December 31, 2016 was $832,385 compared with $504,624 at September 30, 2016, an increase of $327,761. The increase was due primarily to the material increase in sales volume in Q1 2017 compared with that in Q4 2016.

Inventory
At December 31, 2016 inventory was $715,385 compared with $469,666 at September 30, 2016 an increase of $245,719. The increased inventory amount is due to the Company purchasing sufficient raw materials to fulfill 3-months of projected orders and additional amounts for certain parts with long lead times for delivery.

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

Current Liabilities

Trade payables and accrued liabilities at December 31, 2016 were $293,549 and $194,251 respectively, compared with $401,670 and $221,779 at September 30, 2016. The decrease in trade payables was due in most part to payment of sub-contractors for installations.

Contractual Obligations and Commitments

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

2017	$121,900
2018	$125,240
2019	$128,580
2020	$131,920

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

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

Proposed Transactions

None.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2016	Net issued (grants, cancellations, exercises)	Number outstanding at December 31, 2016	Net issued (grants, cancellations, exercises)	Number outstanding at February 22, 2017
Shares[1]	70,443,946	8,007,944	78,451,890	-	78,451,890
Options	6,064,496	(440,000)	5,624,496	-	5,624,496
Warrants	16,806,694	(8,007,944)	8,798,750	-	8,798,750

[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 first quarter of 2017, 440,000 unvested stock options were forfeited by employees when their employment ended.

Warrant exercises

During the first quarter of 2017, 7,594,054, warrants with an exercise price of $0.30 each were exercised for total proceeds of $2,264,716 and 458,890 warrants with an exercise price of $0.15 each were exercised for total proceeds of $68,834.

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 is included in our annual MD&A.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three months ended December 31, 2016 and 2015. 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, 2016 and 2015, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), the CFO (Mr. Steve Vanry) and ex-CFO (Mr. Shabir Dhanani):

	Three months ended December 31	
(Cdn$, unless noted otherwise)	2016	2015
Salaries – R. Buchamer	50,000	50,000
Consulting fees – S. Vanry[1]	30,513	-
Salaries – S. Dhanani[2]	-	25,500
Share based compensation – R. Buchamer	34,393	42,591
Share based compensation – S. Vanry	943	-
Share based compensation – S. Dhanani	-	1,150
Total	**115,849**	**119,241**

[1] S. Vanry began working for the Company as CFO on a part-time basis in January 2016.
[2] S. Dhanani resigned as CFO in February 2016, but remains as full-time Controller.

Transactions with Other Related Parties

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

	Three months ended December 31	
(Cdn$, unless noted otherwise)	2016	2015
Share based compensation – M. Atkinson	7,259	6,414
Share based compensation – J. Blundell	1,719	1,922
Share based compensation – M. Harcourt	1,516	1,425
Share based compensation – M. Walker	1,719	1,922
Share based compensation – D. Guebert	3,294	-
Total	**15,508**	**11,683**

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

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

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

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial risk management objectives and policies

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

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

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

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

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

Liquidity risk
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:
· SEDAR at www.sedar.com;
· the Company's website at www.legendpower.com;
· the Company's condensed interim consolidated financial statements for the three months ended December 31, 2016.

Approval

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

On Behalf of the Board of Directors,
"Randy Buchamer"
Randy Buchamer
President, CEO and Director
February 22, 2017