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Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

Dated January 25, 2021

Making Buildings Better

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 25, 2021, and should be read in conjunction with the Company's consolidated financial statements for the years ended September 30, 2020 and 2019 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 January 25, 2021.

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.

COVID-19

In response to COVID-19's impact on economic activity and its potential to slow the Company's growth prospects, in March 2020 management implemented a pro-active cost reduction and continuity plan. To date the cost cutting measures have reduced overall expenditures by approximately $1 million. These cost-containment efforts can be extended, if required, and pared back or removed as the economy gets back on track.

A review of expenditures resulted in cost reductions to conserve cash and reduce operating costs without impairing the Company's ability to quickly grow as the economy improves. The Company has maintained communication with its customers and prospects to work together in setting expectations for alignment during and after the current pandemic period being experienced. For potential customers choosing to continue active sales cycles, the Company is working with them to meet their objectives. This includes continuing to complete most scheduled SmartGATE Insights™ and SmartGATE™ platform installations. Any customers who have deferred installations will be brought back into the process when the timing is right for their companies.

On April 28, 2020, the Government of Canada offered the Canada Emergency Wage Subsidy (CEWS) to businesses to encourage employers to retain and rehire workers for which the Company qualified. The Company has received CEWS totaling $495,747 since the program commenced.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted in the United States and with it is the Paycheck Protection Program (PPP) Loans to support small businesses impacted by COVID-19 by providing incentive to keep their employees on the payroll. On April 30, 2020, the company was granted a loan from BMO Harris Bank in the amount of US$144,865. The loan matures on May 1, 2022 and bears interest at a rate of 1%. The loan is forgivable after eight weeks if the funds are used for payroll costs, interest on mortgages, rent and utilities and that at least 75% of the forgiven amount should be used for payroll.

The company continues to monitor and assess the impact of COVID-19 to its operations with the safety and well-being of employees, the Company's priority. With production, product development and installation activities on-going, precautions were implemented to ensure the safety and health of staff. On May 19, 2020, the company re-opened its Vancouver location with procedures and guidelines published Province of British Columbia's Health Officer.

Despite management's efforts, the Company's business was and could continue to be adversely impacted by the effects of COVID-19. Since early March 2020, several significant measures have been implemented in Canada, the United States, and the rest of the world by authorities in response to the increased impact from COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the ability of third parties to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business. In addition, the significant outbreak of a contagious disease has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada and the United States), resulting in a potential economic downturn that may negatively impact the Company's financial position, financial performance, cash flows, and its ability to further raise capital. The Company continues to operate its business and complete installations of SmartGATE and SmartGATE Insights; however, a number of our customer's commercial buildings have been inaccessible due to COVID-19 protocols. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact of COVID-19 on the Company's operations cannot be reasonably estimated at this time. For greater detail see "Public Health Crises" below in the Risks and Uncertainties section of this MD&A.

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 that enables owners/operators of light-industrial and commercial buildings to both diagnose and then overcome the building-level impacts of electric grid volatility which results in a less than optimal power supply. These power quality challenges are common to utilities around the world, and is getting worse with increased renewable energy like wind and solar. Most buildings (80-90%) on a power grid receive inconsistent electrical voltage from their power utilities as a counter-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' and full or partial equipment failures. 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. All of these issues represent increased expenses, lower profits and lower valuations. Legend utilizes a proprietary and patented technology platform to first assess a building's inbound power, then regulate and optimize its voltage and manage its total power consumption. SmartGATE's modular and extensible 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. By ensuring a consistent and optimized voltage level on each individual phase of service, and managing or mitigating poor quality (including over/under voltage, voltage sags and swells, phase unbalance and power factor) across all loads, 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. During initial assessments for prospective customers, this same data can be combined into an Energy Impact Report to inform and prioritize implementation decision-making.

Vision, Offerings and Strategy

The Company's vision statement is - "To be recognized as a global leader in intelligent active power management technology".

The Company currently markets two complementary offerings:

- SmartGATE Insights™ Service - measures the high impact attributes of electricity and then applies an array of industry-standard calculations to determine what effects they are having on a building. Findings are summarized and communicated to building owners via a Power Impact Report, with an easy-to-understand score-card of relative building health, an assessment of the hidden financial and human costs, and finally a custom solution based on Legend's turnkey technologies.

- SmartGATE™ Platform - uses patented technology to correct the power issues uncovered by SmartGATE Insights. The most recently announced version of SmartGATE™ Platform, set to be available in early 2021 has the smallest footprint in the industry, a more affordable price point and better energy efficiency. It is uniquely suitable for a large array of commercial as well as light-industrial applications, addressing many more issues more effectively 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.

A key aspect of the Company's growth strategy is partnering with resellers, particularly energy service companies (ESCO's) in the U.S. as it establishes significant new sales channels and revenue streams for the Company. The partnerships provide Legend with instant access to decades-long, trusted relationships in an expanded set of market verticals with little or no marketing, sales or infrastructure costs. Legend completed its first project with a U.S. ESCO during Q1 of fiscal 2021 and is in discussions with several other leading U.S. ESCOs. The ESCO market in the U.S. is a US$15 billion a year business that bundles energy conservation measures for large public entities such as government organizations and others.

Another core element of Legend's business strategy, whether through direct or channel partner sales is to focus on enterprise-level sales of a portfolio solution. Leading customer engagements with SmartGATE Insights Service as a means to analyze, and assess buildings to quantify financial risk and loss due to poor power quality, enables a fact-based decision to prioritize SmartGATE Platform deployment to fix or mitigate identified issues. This approach lowers customer cost for initial engagement, shortens time to SmartGATE Platform purchase, increases likelihood of multi-unit SmartGATE purchases and compresses the sales cycle timeframe.

Legend intends to continue to leverage both direct and distribution sales channels to aggressively expand key influencer product adoption and market share in the U.S. and Canada. Key Influencers such as ESCOs 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.

Expansion into the United States is ongoing with a primary presence in New York City and indirect presence in a growing number of other major U.S. metropolitan areas by virtue of customer engagement driven by our channel partner networks.

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 loss caused by a range of power quality issues with cost-effective solutions not currently available in the Company's target markets.

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 18.4%[1] of the nation's energy during the four months from January through April 2020. About 95%[2] (1,868 trillion Btus) of this energy was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 25.011 quadrillion Btus[3] during the same period, meaning that the commercial sector accounted for about 7.5% 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 Clean Energy DC Omnibus

[1] July 2020 Monthly Energy Review, EIA, page 37
[2] Commercial Energy Sector Consumption, EIA
[3] July 2020 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 and Decarbonization action extends beyond governments. Since January 2020, we've seen several announcements from major businesses about energy efficiency actions and carbon footprints, including:

- 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.
- Morgan Stanley build upon its $800 million impact investing platform by closing a $110 million fund focused on climate solutions.
- S&P Global launched its S&P Global ESG Scores on over 7,300 companies, representing 95% of global market capitalization.
- Apple announced goals to reduce and offset emissions along its entire supply chain and in the production of its iPhones and other devices, in under ten years.
- Amazon announced its US$2 billion Climate Pledge Fund to support the development of sustainable and decarbonizing technologies and services.

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 financial losses from a 3-year old electrical elevator motor that ran hot and was undetected until it burnt out years before anticipated end of life? 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.

Decarbonization of the commercial building sector will require three macro changes:

- An increase in renewal power generation, which includes distributed energy resources (wind, solar, storage etc.) deployed throughout the grid in a decentralized manner.
- Electrification of equipment traditionally reliant on fossil fuels (Electric Vehicles, Electric Heat Pumps).
- Continued effort to increase the energy efficiency of commercial buildings. Smarter and efficient technologies will continue to replace existing equipment withing facilities to reduce a buildings energy use intensity, reducing demand for electricity.

A grid more reliant on renewables in inherently less stable than a centralized grid reliant on large fossil fuel generation. The reliability and quality of power is expected to decline as renewable generation proliferates. Additionally, equipment which drives efficiency for the electrification movement is less tolerant of power challenges and is prone to fail or malfunction when sub-standard power is supplied. As the global economy moves towards decarbonization and electrification, grid instability is expected to be pervasive, which should drive strong demand for Legend Power's solutions.

Declining power quality and the requirement for reliable high-quality power as an enabler for efficiency and electrification will continue to limit decarbonization efforts in the building sector. Legend's SmartGATE platform is the only proven solution that addresses this large-scale challenge.

SmartGATE enables a lower carbon building strategy by correcting common power challenges associated renewables while increasing a buildings overall efficiency and resilience needed for decades to come.

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 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), prove out the technology and then expand the model to other geographies, specifically the U.S., a market several times the magnitude of Ontario.

In 2017, the Company doubled revenue in the Ontario market and then raised $10 million in a bought deal financing at $0.80 to expand the product portfolio and expand into the New York and Pacific Northwest markets in the U.S.

Legend spent 2020 continuing to expand the New York market and building relationships with the key market participants, including the building owners, utilities and ESCOs in the regions. After analyzing feedback from customers and key participants across all markets, the Company announced a new and improved SmartGATE platform and introduced SmartGATE Insights data collection and analytics tool in fiscal Q1 2020 (period ending December 31, 2019).

Until SmartGATE Insights, commercial building owners could neither effectively identify nor measure power issues from the power grid. Without knowing what was happening to their building's power supply, the magnitude of the problems, and how electrical equipment could be at risk, some SmartGATE platform sales cycles were lengthy. SmartGATE Insights changed that, providing real-time analytics across entire property portfolios, clearly identifying electrical waste and the potential for premature wear or damage to electrical equipment. This visibility has helped to accelerate the sales cycles for several SmartGATE platforms and increased the likelihood of multi-unit orders.

Quarterly Update

At the beginning of the second quarter of fiscal 2020, Legend Power immediately responded to the COVID-19 pandemic by prioritizing employee safety, reducing costs, and implementing a strategy to navigate through the uncertainties in our targeted markets. The near shutdown in the North American economy delayed our ability to conduct on-site assessments and SmartGATE installations. Instead, we provided continuity in our discussions with clients to advance our opportunities. Recently we have seen an increase in both business development and installations as we are deemed an essential service and customers are now not distracted by the initial shock and re-tooling required because of the pandemic.

As a result, our pipeline of opportunities – both with prospects and existing clients – continued to grow through the fourth quarter of fiscal 2020. We gained more access to senior decision-makers, especially those concerned about tenant safety and reducing costs by optimizing incoming grid power. The increase in commitments from building owners continues to scale. Some of these commitments include multi-building assessments with our SmartGATE Insights™ service and others for full SmartGATE platforms. This resurgence in activity has been broad-based and includes engagements in the multi-family, schools, commercial office and ESCO verticals. During the fourth quarter of fiscal 2020, these resulted in:

- a premier international Fortune 100 corporation purchasing two SmartGATE platforms for a New York school district customer;
- an existing customer has chosen to evaluate 8 additional of its buildings as candidates for SmartGATE;

- an existing major Ontario-based multi-family and commercial property customer enabling the 14th building of its portfolio with SmartGATE;
- an Ontario college chose SmartGATE for two of its new facilities;
- a leading international financial services and insurance firm in Boston utilizing SmartGATE Insights in 4 of its buildings, and;
- a multi-Family REIT in Boston using SmartGATE Insights to evaluate the business impact of electrical energy supply.

Based on the activity in our sales funnel and with a stabilized North American economy, we anticipate a return to growth for the Company in fiscal 2021.

FINANCIAL RESULTS

Financial summary for the three and twelve months ended September 30, 2020 and 2019

	Three months ended September 30,			**Years ended September 30,**		
(Cdn$, unless noted otherwise)	2020	2019	Change	2020	2019	Change
Revenue	346,697	485,543	(29)%	2,027,933	2,334,525	(13)%
Cost of sales	280,941	582,537	(52)%	1,529,964	1,363,977	12%
Gross margin[1]	65,756	(96,994)	-	497,969	970,548	(49)%
Gross margin %[1]	19%	(20)%	-	25%	42%	(17)%
Operating expenses	(951,264)	(1,476,683)	(36)%	(5,291,444)	(6,351,413)	(17)%
Adjusted EBITDA[2]	(569,493)	(1,798,936)	68%	(4,228,194)	(5,265,924)	20%
Net loss	(769,444)	(2,243,219)	(68)%	(4,783,511)	(6,093,156)	(22)%

[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 fourth quarter of 2020 was $346,697 compared with $485,543 in the same quarter of 2019. Revenue for the fiscal year 2020 was $2,027,933 a decrease from $2,334,525 from fiscal 2019. During fiscal 2020, and in particular during Q3, COVID-19 caused a significant curtailment of sales cycles and prevented the Company from accessing customer buildings to complete SmartGATE installations. This situation eased slightly in Q4 of 2020.

Gross margin in the fourth quarter of fiscal 2020 was 19%, compared with negative 20% in same quarter of 2019. Gross margin during the fiscal year 2020 was 25%, a decrease from 42% compared with fiscal 2019. The lower gross margin experienced during fiscal 2020 was due primarily to: i) two projects completed for an early adopter, marquee, New York City customer during Q1 of 2020. 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; and ii) management's focus on inventory management through strategic pricing.

The Company's operating expenses for the fourth quarter of 2020 were $951,264, down from $1,476,683 in the same quarter of 2019 and for the fiscal year 2020 were $5,291,444 compared with $6,351,413 in fiscal 2019. The decreases in both comparative periods are due to cost cutting measure implemented in response to the economic slowdown caused by COVID-19.

Adjusted EBITDA for the fourth quarter of fiscal 2020 was negative $569,493, compared with negative $1,798,936 in the fourth quarter of 2019. Adjusted EBITDA for the fiscal year 2020 decreased to negative $4,227,858, from negative $5,265,924 in fiscal 2019.

Net loss for the fourth quarter of fiscal 2020 was $769,444, compared with a net loss of $2,243,219 in the fourth quarter of fiscal 2019. Net loss for the fiscal year 2020 was $4,783,511, a decrease of 22% from a loss of $6,093,156 in fiscal 2019. Lower gross margins in fiscal 2020 were offset by significantly reduced operating and other expenses compared with fiscal 2019.

Significant Operating Expenses

	Three-months ended September 30,			Year ended September 30,		
(Cdn$, unless noted otherwise)	2020	2019	Change	2020	2019	Change
Salaries and consulting fees	562,700	1,000,555	(44)%	3,137,969	4,168,347	(25)%
General and overhead	90,446	296,477	(69)%	684,739	1,077,478	(36)%
Selling costs	36,580	118,858	(69)%	242,184	385,690	(37)%
Product development	32,518	18,600	75%	236,181	57,416	311%
Professional fees	505	68,817	(99)%	293,009	222,381	32%
Share-based compensation	116,133	35,510	227%	383,310	286,043	34%
Amortization and depreciation	10,172	(45,960)	-	142,672	61,395	132%
Warranty provision (adjustment)	125,060	96,226	30%	193,451	222,750	(13)%

- Salaries and consulting fees for the three and twelve months ended September 30, 2020 were $562,700 and $3,137,969 respectively, down from $1,000,555 and $4,168,347 during the same periods of fiscal 2019. The decreases in 2020 are due to expenditure curtailments implemented by the Company in response to the economic slowdown caused by COVID-19.

- General and overhead costs for the three and twelve months ended September 30, 2020 were $90,446 and $684,739 respectively, down from $296,477 and $1,077,478 during the same periods of fiscal 2019. The decreases in 2020 are due to expenditure curtailments implemented by the Company in response to the economic slowdown caused by COVID-19.

- Selling costs for the three and twelve months ended September 30, 2020 were $36,580 and $242,184 respectively, down from $118,858 and $385,960 during the same periods of fiscal 2019. The decreases are due primarily to lower revenue in fiscal 2020.

- Product development costs for the three and twelve months ended September 30, 2020 were $32,518 and $236,181 respectively, up significantly from $18,600 and $57,416 during the same periods of fiscal 2019. The primary reason for the increase in fiscal 2020 development costs was the impairment of product development related costs to the income statements of loss and comprehensive loss. The Company tested its product development costs for impairment using pro-forma cash flow projections and certain other assumptions. Based on this analysis development costs associated with internally generated technologies was impaired.

- Professional fees for the three and twelve months ended September 30, 2020 were $505 and $293,009, up from $68,817 and $222,381 in the same periods of fiscal 2019. The increase in professional fees for the full fiscal year 2020 is due primarily to higher audit, tax preparation and accounting consulting fees incurred. The decrease in Q4 of fiscal 2020 was due to a re-allocation of costs.

- 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 three and twelve months ended September 30, 2020 was $116,133 and $383,310 respectively, compared to $35,510 and $286,043 in the same periods of 2019. During the fiscal year 2020, a total of 1,577,511 stock options vested, compared with 1,339,870 in the same period of 2019.

- Amortization and depreciation costs for the three and twelve months ended 2020 were $10,172 and $142,672 respectively, up from negative $45,960 and $61,395 in the same periods of 2019. The increase is due primarily to higher depreciation costs associated with 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 Notes 3 and 8 of the Company's September 30, 2020 consolidated financial statements for further details.

- Warranty provision for the three and twelve months ended September 30, 2020 were $125,060 and $193,451 respectively compared with $96,226 and $222,750 in the same periods 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.

Select Annual Information

(Cdn$, unless noted otherwise)	2020	2019	2018
Revenue	2,027,933	2,334,525	6,595,063
Gross margin[1]	497,969	970,548	2,990,809
Operating loss	(4,793,475)	(5,380,865)	(2,627,504)
Net loss	(4,783,511)	(6,093,156)	(2,559,385)
Loss per share (basic and diluted)	(0.05)	(0.06)	(0.03)
Total assets	4,824,282	8,725,135	14,513,886
Total long-term financial liabilities	170,044	-	-
Cash dividend	-	-	-

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

Quarterly Trends

(Cdn$, unless noted otherwise)

	Fiscal 2019				Fiscal 2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	403,400	769,443	676,139	485,543	1,003,329	676,359	1,548	346,697
Gross margin[1]	326,568	414,114	326,860	(96,994)	214,100	216,565	1,548	65,756
Operating expenses	1,484,843	1,845,557	1,544,329	1,476,684	1,620,431	1,736,091	983,658	951,264
Operating loss	(1,158,275)	(1,431,443)	(1,217,469)	(1,573,678)	(1,406,331)	(1,519,526)	(982,110)	(885,508)
Net loss	(1,091,332)	(1,402,451)	(1,176,154)	(2,423,219)	(1,482,198)	(1,516,627)	(1,015,242)	(769,444)
Loss per common share[2]	(0.011)	(0.014)	(0.012)	(0.023)	(0.015)	(0.015)	(0.010	(0.01)

[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/impairments that are tied to changes in component pricing, technology, and product offering/design. During

Q1 and to a lesser extent Q2 of 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 up to Q2 2020 have been relatively stable with a slight upward trend, other than the increases seen in Q2 of fiscal 2019 and Q1 and Q2 of fiscal 2020. The upward trend is due to primarily to increased staffing and related travel and administrative support. During Q3 and Q4 of 2020 operating costs dropped significantly due to the Company's expense curtailment program in response to COVID-19.

FINANCIAL CONDITION, CAPITAL RESOURCES AND OTHER DISCLOSURES

Summary of Consolidated Statement of Cash Flows

	Year ended September 30,		
(Cdn$, unless noted otherwise)	2020	2019	Change
Cash used in operating activities	(3,353,876)	(3,869,823)	(13)%
Cash used in investing activities	(112,413)	(602,082)	(81)%
Cash provided by financing activities	53,732	75,460	(29)%
Total change in cash used	**(3,412,557)**	**(4,396,445)**	**(22)%**

Cash used in operating activities
During the fiscal year ended September 30, 2020, cash used in operating activities was $3,353,876 down from $3,869,823 in fiscal 2019.

Cash used in investing activities
During the fiscal year ended September 30, 2020, recorded cash used in investing activities of $112,413, compared with cash used for investing activities of $602,082 the fiscal 2019. The decrease was primarily due to the Company's accounting policy which resulted in the expensing of development costs in fiscal 2020 compared with 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 fiscal year ending September 30, 2020 cash provided by financing activities was $53,732 comprised of proceeds of a Payroll Protection Loan of $166,507, and $44,900 in proceeds from stock options, offset by lease obligation payments made of $157,675. During fiscal 2019, cash provided from financing activities of $75,460 was the result of proceeds from stock options exercised.

Working Capital Items

(Cdn$, unless noted otherwise)	at September 30, 2020	at September 30, 2019	Change
Cash	2,286,005	5,677,537	(60)%
Trade receivables	973,446	655,320	49%
Due from customers on contract	99,293	891,288	(89)%
Inventory	1,198,284	1,255,737	(5)%
Prepaids and deposits	64,971	130,118	(50)%
Total current assets	**4,621,999**	**8,610,000**	(46)%
Trade payables	365,800	343,258	7%
Accrued liabilities	302,158	249,906	21%
Lease liabilities	71,776	-	-
Warranty provision	117,892	99,122	19%
Total current liabilities	**857,626**	**692,286**	24%
Working capital	**3,764,373**	**7,917,714**	(52)%

Liquidity and capital resources measures
As at September 30, 2020, the Company had cash and cash equivalents of $2,286,005 (September 30, 2019 - $5,677,537), total current assets of $4,621,999 (September 30, 2019 - $8,610,000) and current liabilities of $857,626 (September 30, 2019 - $692,286). As at September 30, 2020, the Company had working capital of $3,764,373 (September 30, 2019 - $7,917,714).

Based on working capital as at September 30, 2020, 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 a period of approximately 10 months. In the event that revenues increase or additional funding is realized, 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 September 30, 2020 was $973,446 up 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 $99,293 at September 30, 2020 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.

Inventory

Inventory at September 30, 2020 was $1,198,284, a 5% decrease from $1,255,737 at September 30, 2019. The decrease in inventory is primarily attributable to order fulfillment from existing inventory, and impairments recorded. 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 September 30, 2020 were $365,800 and $302,158 respectively, compared with $343,258 and $249,906 at September 30, 2019. Trade payables and accrued liabilities tend to fluctuate with no particular pattern.

As of October 1, 2019, the Company adopted IFRS-16 Leases, resulting in the recording of a current lease liability which at September 30, 2020 was $71,776 (see pages 14-16 for details).

At September 30, 2020 the current portion of warranty provision was $117,892 compared with $99,122 at September 30, 2019.

Contractual Obligations and Commitments

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.

As at September 30, 2020 the Company was a named plaintiff in a statement of claim (action #1) and in a second matter was a named defendant in a statement of claim (action #2) both filed with the Ontario Superior Court of Justice. The Company, based on best estimates, recorded a liability totaling $36,000 for both amounts as of September 30, 2020. Both legal matters were resolved subsequent to September 30, 2020 as to; action #1 – certain amounts owing to ex-employees were settled for payment by the Company of $18,000 and; action #2 – certain claims arising on dismissal of an ex-employee were settled for payment by the Company of $18,000.

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2019	Net issued (equity offering, grants, cancellations, exercises or forfeitures)	Number outstanding at September 30, 2020	Net issued (grants, cancellations, exercises)	Number outstanding at January 25, 2021
Shares[1]	101,850,303	170,000	102,020,303	1,383,333	103,403,636
Options	6,993,333	368,335	7,361,668	674,998	8,036,666
Broker Warrants	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, 2020, 1,690,000 stock options were granted, 170,000 were exercised, 425,000 expired, and 726,665 stock options were forfeited. Subsequent to September 30, 2020 and to the date of this report a total of 2,225,000 stock options were granted, 1,383,333 were exercised, 125,000 expired, and 41,669 stock options 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. During fiscal Q3 of 2020 all of the 703,410 broker warrants expired unexercised.

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.

Public Health Crises
The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the COVID-19 novel coronavirus ("COVID-19"). As at the date of this MD&A, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. Provincial and State governments in the regions where the Company's operates, have passed orders with respect to closure of non-essential business. Each such government, however, has designated electrical contracting as an essential service and, accordingly, the Company's field operations currently remain open and in operation, however there can be no certainty that this will remain the case. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. The Company has taken what it

believes to be appropriate safety precautions at its workplaces to safeguard the health of its employees including remote work plans and additional protective measures on site, and there have been no outbreaks to date at any of the Company's facilities. However, if an outbreak were to occur, the Company may be required to temporarily close a facility. Any such closure could have a material adverse impact on operations and sales. Widespread uncertainty, government restrictions on personal mobility and the other impacts of the COVID-19 crisis on the Company's employees, together with the potential to contract COVID-19 and/or be subject to quarantine may have an impact on the ability or willingness of the Company's employees to attend their workplace. Although certain administrative, engineering, sales, marketing and business development factors can be conducted remotely, other functions, such as production, repairs and product development cannot be conducted remotely and may be adversely impacted by any resulting decrease in employee availability.

Such public health crises can also result in disruptions and volatility in financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could delay our customers making capital purchase decisions and impact, interest rates, credit ratings, credit risk and inflation. In addition, the Company's business may be impacted by supply chain disruptions caused by the COVID-19 crisis, including the delivery of specialized electrical components imported for the Company's products or the delivery of the Company's products to markets. The COVID-19 crisis may also have a negative impact on demand for the Company's products and services due to, among other things, economic contraction and the potential temporary closure of commercial buildings, which could result in reduced revenue to the Company.

While these effects are expected to be temporary, the duration of the disruptions to business and the related financial impact cannot be estimated with any degree of certainty at this time. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 could have a material adverse effect on the Company's business, results of operations and financial condition.

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 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.

Two 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 SmartGATE™ in North America, outside of Ontario, remains to be proven and the Company's future growth will depend upon successful marketing of SmartGATE™. If the market targeted by the Company fails to develop, develops slower than expected, is successfully and significantly penetrated by competitors or if 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
SmartGATE™ is the only technology of its kind in North America and the Company holds multiple patents on its technology. 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 neither of them have all of the capabilities and features of 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 significantly 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 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 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.

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 year ended September 30, 2020 and 2019. 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, 2020 and 2019, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

(Cdn$, unless noted otherwise)	Years ended September 30, 2020	2019
Salaries – R. Buchamer	237,750	243,750
Consulting fees – S. Vanry	175,750	191,146
Share based compensation – R. Buchamer	69,952	50,082
Share based compensation – S. Vanry	28,310	25,041
Car allowance – R. Buchamer	4,800	9,600
Total	**516,312**	**519,619**

Transactions with Other Related Parties

During the years ended September 30, 2020 and 2019, 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) and Jonathan Lansky(3)):

(Cdn$, unless noted otherwise)	Years ended September 30, 2020	2019
Director's fees	-	77,500
Share-based compensation	70,908	99,059
Total	**70,908**	**176,559**

[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.*
[3] *Jonathan Lansky was appointed director of the Company on October 8, 2019.*

At September 30, 2020, a total of $14,569 (September 30, 2019 - $Nil) was due to related parties for consulting fees and expenses reimbursement.

NEW ACCOUNTING STANDARDS ADOPTED

IFRS 16, Leases

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 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 lease liabilities in relation to property leases, vehicle leases and an equipment leases, all of 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 is the lessee's weighted average incremental borrowing rate. 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 assets equal to the lease liabilities 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	194,242
Incremental borrowing rate as at October 1, 2019	10%
Discounted operating lease commitments at October 1, 2019	180,614
Lease liability recognized as at October 1, 2019	**180,614**

The right-of-use assets associated with these leases were initially measured at an 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 October 1, 2019.

Practical expedients applied

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

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- the accounting for operating leases with a remaining lease term of less than 12 months as at October 1, 2019 as short-term leases
- the Company has elected to not assess whether a rent concession that is the result of COVID-19 is a lease modification, as the concession met the conditions described when applying the standard outlined above on page 18.

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 $180,614 were recognized and presented separately in the consolidated statements of financial position.
- Lease liabilities of $180,614 were recognized and presented separately in the consolidated statements of financial position.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, due from customers on contract, accounts payable and amounts due to related parties. The carrying values of these financial instruments are not based on fair value but approximate their fair values because of their short-term nature. The PPP loan is classified at amortized cost and accounted for using the effective interest rate method. Its carrying value approximates fair value as the interest rate used to discount the instrument approximates incremental borrowing rates available to the Company.

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 September 30, 2020 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 year ended September 30, 2020 by approximately $138,205 (2019 - $269,865).

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 year ended September 30, 2020 averaged 1.68% (2019 – 1.25%). A 1% nominal change in interest rates would have affected the Company's results of operations for the year ended September 30, 2020 by approximately $22,926 (2019 - $73,697). 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 September 30, 2020, trade receivables from four of our customers accounted for 11%, 12%, 16% and 33%, respectively of the Company's trade receivables balance for a total 72% in aggregate. At September 30, 2019, 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 78% 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, 2020 (2019 – nominal).

Concentration risk

Three customers accounted for 11%, 13%, 32% of the Company's revenues for the period ended September 30, 2020 compared with 11%, 12% and 20% of the Company's revenues for the year ended 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 September 30, 2020 the Company had cash and cash equivalents of $2,286,005 (2019 – $5,677,537) to settle its current liabilities of $857,626 (2019 – $692,286).

EBITDA RECONCILIATION

We are disclosing Adjusted EBITDA as a supplementary indicator of operating performance. We define Adjusted EBITDA as net income or loss before; interest, income taxes, amortization, depreciation, accretion, non-cash stock-based compensation and foreign exchange gains and losses. 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,		Year ended September 30,	
(Cdn$, unless noted otherwise)	2020	2019	2020	2019
Net loss	(769,444)	(2,423,219)	(4,783,511)	(6,093,156)
Add / (deduct):				
Intangibles impairment	7,934	772,818	7,934	772,818
Foreign exchange	(22,850)	(112,400)	(22,071)	(130,087)
Interest income	(7,295)	(25,685)	(52,385)	(162,937)
Amortization, depreciation, accretion	106,029	(45,960)	238,529	61,395
Share based compensation	116,133	35,510	383,310	286,043
Adjusted EBITDA	**(569,493)**	**(1,798,936)**	**(4,228,194)**	**(5,265,924)**

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, 2020 and 2019

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 25, 2021