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Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three and Six months ended March 31, 2021

(Expressed in Canadian Dollars)

May 31, 2021

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 May 31, 2021, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended March 31, 2021 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 May 31, 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. Some of the cost-containment efforts remain in place today which can be extended, if required, 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 during and after the pandemic. For 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 them.

The Company is also working with its suppliers to maintain timely and cost controlled supply chains to satisfy inventory requirements. The Company's suppliers have communicated expectations for longer lead times due to their own pandemic related constraints as well as increased costs which they are partially passing along to customers. Costs along the supply chain for semiconductors and components comprised of copper, aluminum and steel have all seen material cost increases.

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 are getting worse with increased renewable energy sources 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 inconsistent production and availability of renewable energy sources added to the supply. Voltage higher or lower than a building's equipment specifications negatively impacts the lifespan or availability of electrical equipment, creates unnecessary power consumption, increases the potential for 'brown-outs', and can cause 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 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 the building's 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 electrical 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 the cloud. 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, (planned for release 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 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) 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 have developed relationships that actively endorse the product's performances, value, and applicability to other potential customers within their sphere of influence.

Legend's U.S. expansion 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"), about 93%[1] (3,486 trillion Btus) of the energy consumed by America's commercial buildings was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 66,024 quadrillion Btus[2] during the same period, meaning that the commercial sector accounted for about 5.3% of America's total fossil fuel consumption.

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. The City of Seattle claims that building energy is responsible for over a third of the city's climate emissions, and Senate Bill 5293 (now in Senate committee) proposes maximizing energy efficiency standards for buildings. In Washington, D.C., the Clean Energy DC Omnibus 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 is shifting to investing in companies that require less fossil fuels.
- Morgan Stanley building upon its $800 million impact investing platform by closing a $110 million fund focused on climate solutions.

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[1] Commercial Energy Sector Consumption, EIA
[2] February 2021 Monthly Energy Review, EIA, page 3

- 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.

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 within facilities to reduce a buildings energy use intensity and reduce demand for electricity.

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.

How Legend Power's SmartGATE Can Help

A grid more reliant on renewables is 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 with renewable power sources while increasing a buildings overall efficiency and resiliency 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).

Prior to the introduction of SmartGATE Insights, commercial building owners could neither effectively identify nor measure power issues caused by the electrical grid. 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.

Corporate Update

Fiscal Q2 Highlights

The Company returned a strong Q2 fiscal 2021 performance both in leading growth metrics and sales bookings. The Company's new "Insights-led" sales model implemented in Q4 of fiscal 2020 is outperforming forecasts for new customer engagements, reduced length of sales cycle, and sales wins which significantly alters Legend Power's growth trajectory.

Q2 Fiscal 2021 Growth Highlights:

- Sales bookings of $1.92 million increased 705% versus Q2 fiscal 2020 and was up 20% from $1.6 million in Q1 fiscal 2021
- Exceeded Q2 fiscal 2021 goal of 90 SmartGATE Insights engagements
- Exceeding goal of 50% conversion rate from SmartGATE Insights to full SmartGATE Platform sales bookings with 100% conversion from some customers

The revamping of the Company's sales model is resonating well with prospective and existing customers in multiple verticals across North America. Tracking the Company's success with the Insights-led sales approach has now been distilled down to a few simple metrics which not only provide the Company's team with clear priorities but also gives Legend's investing audience a definitive scorecard to track growth

Legend's SmartGATE Insights and Power Impact Report are valuable tools that provide building owners a better understanding of the financial impact the power grid is having on their buildings and how SmartGATE solutions can solve these challenges for them. The Power Impact Report details these excessive costs across each building in a property portfolio and demonstrates how SmartGATE solutions can reduce these costs.

Bought Deal Prospectus Financing

On May 31, 2021 the Company entered into an agreement with Stifel GMP, as lead underwriter on behalf of a syndicate of underwriters which have agreed to purchase, on a bought deal basis, 12,000,000 units of the Company at a price of $0.75 per Unit, for aggregate gross proceeds of $9,000,000.

Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to purchase once common share at an exercise price of $0.95 at any time up to 24 months following the closing date.

The Underwriters will also have the option, exercisable in whole or in part at any time on or up to 30 days after the closing date, to purchase up to an additional 1,800,000 units (and/or the components thereof) to cover over-allotments, if any, and for market stabilization purposes. In the event that the option is exercised in its entirety, the aggregate gross proceeds of the offering will be $10,350,000.

The offering is scheduled to close on or about June 11, 2021 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange and the securities regulatory authorities.

FINANCIAL RESULTS

Financial summary for the three and six months ended March 31, 2021 and 2020

	Three months ended March 31,			**Six months ended March 31,**		
(Cdn$, unless noted otherwise)	2021	2020	Change	2021	2020	Change
Revenue	482,144	676,359	(29)%	1,248,370	1,679,688	(26)%
Cost of sales	393,624	459,794	(14)%	957,804	1,326,031	(28)%
Gross margin[1]	88,520	216,565	(59)%	290,566	353,657	(18)%
Gross margin %[1]	18%	32%	(14)%	23%	21%	2%
Operating expenses	(1,068,146)	(1,736,091)	(39)%	(2,145,538)	(3,356,522)	(36)%
Adjusted EBITDA[2]	(708,025)	(1,467,805)	52%	(1,385,632)	(2,792,966)	50%
Net loss	(982,829	(1,516,627)	35%	(1,856,621)	(2,998,825)	38%

[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 second quarter of 2021 was $482,144 down 29% from $676,359 in the same quarter of fiscal 2020. Revenue for the six months ended March 31, 2021 was 1,248,370 down 26% from $1,679,688 in the same period of fiscal 2020. During the three and six month periods ended March 31, 2021 the Company posted strong sales bookings much of which, as was the case in Q1 fiscal 2021, was not realized in revenue due to, customer preference install scheduling, internal and external COVID related personnel constraints, and inventory supply chain delays. The revenue is now expected to be booked in Q3 and Q4 of fiscal 2021. In the absence of this timing constraint, revenue for the six months ended March 31, 2021 would have likely been materially higher than that of the comparative period of fiscal 2020.

Gross margin in the second quarter of fiscal 2021 was 18%, compared with 32% in same quarter of fiscal 2020. Gross margin for the six months ended March 31, 2021 was 23% compared with 21% in the same period of fiscal 2020. The comparative decrease in gross margin experienced during Q2 of fiscal 2021 was due primarily to preferential pricing on sales of previous generation SmartGATE inventory and follow-on install costs related to installations realized in prior quarters. The increase in gross margin experienced in the six-months ended March 31, 2021 was primarily due to very low gross margin in Q1 of fiscal 2020 which was the result of: i) a reclassification of inventory write down to cost of goods sold of $77,000 and ii) a significant project completed for a marquee customer in a new region with unusually high install costs. While gross margin has been variable while revenue has remained low due to installation delays, management believes that as the Company scales and sales bookings convert to revenue that margins should improve and be closer to long-term average results.

The Company's operating expenses for the second quarter of fiscal 2021 were $1,068,146, down significantly from $1,736,091 in the same quarter of fiscal 2020. Operating expenses for the six months ended March 31, 2021 were 2,145,538 also down significantly from 3,356,522 in the same period of fiscal 2020. The primary cause for the decrease in the comparative fiscal periods is cost cutting measures implemented and still in place, in response to the economic slowdown caused by COVID-19.

Adjusted EBITDA for the second quarter of fiscal 2021 was negative $708,025, compared with negative $1,467,805 in same quarter of fiscal 2020. Adjusted EBITDA for the six months ended March 31, 2021 was negative $1,385,632 compared with negative $2,792,966 in the same period of fiscal 2020.

Net loss for the second quarter of fiscal 2021 was $982,829, compared with a net loss of $1,516,627 in the same quarter of fiscal 2020. Net loss for the six months ended March 31, 2021 was $1,856,621 compared with $2,998,825 in the same period of fiscal 2020. Significantly reduced operating costs were the largest contributing factors to the significantly lower net losses in both comparative periods.

Significant Operating Expenses

	Three-months ended March 31,			Six months ended March 31,		
(Cdn$, unless noted otherwise)	2021	2020	Change	2021	2020	Change
Salaries and consulting fees	441,360	1,032,935	(57)%	901,576	2,042,687	(56)%
General and overhead	105,052	283,870	(63)%	241,267	521,899	(54)%
Selling costs	39,894	90,959	(56)%	93,942	170,533	(45)%
Product development	126,305	95,571	32%	262,208	128,306	104%
Professional fees	68,426	103,117	(34)%	142,248	176,476	(19)%
Share-based compensation	231,482	28,072	725%	370,565	146,932	152%
Amortization and depreciation	41,535	30,744	35%	78,635	88,057	(11)%
Warranty provision	3,655	70,738	(95)%	19,738	82,332	(76)%

- Salaries and consulting fees for the second quarter of fiscal 2021 of $441,360, were down significantly from $1,032,935 during the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $901,576 down from $2,042,687 in the same period of fiscal 2020. The decrease in the first 6 months of fiscal 2021 was due primarily to ongoing staffing cost reductions, the receipt of Canadian government subsidies offsetting payroll costs and having 10 fewer staff members relative to the comparative periods in fiscal 2020.

- General and overhead costs for the second quarter of fiscal 2021 were $105,052, down from $283,870 during the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $241,267 down from $521,899 in the same period of fiscal 2020. The decreases in both comparative periods are due to expenditure curtailments implemented by the Company in response to the economic slowdown caused by COVID-19 and the impact of having a reduced number of staff members relative to the comparative periods of fiscal 2020.

- Selling costs for the second quarter of fiscal 2021 were $39,894, down from $90,959 during the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $93,942 compared with $170,533 in the same period of fiscal 2020. Selling costs consist primarily of sales commissions which were lower in both comparative periods due to delays in completing customer projects which is the trigger for partial release of sales commissions.

- Product development costs for the second quarter of fiscal 2021 were $126,305, up from $95,571 during the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $262,208 up from $128,306 in the same period of fiscal 2020. The primary reason for the increase in development costs for the comparative periods was the accelerated development of the next generation of the SmartGATE Platform and additional feature sets.

- Professional fees for the second quarter of fiscal 2021 were $68,426 down from $103,117 in the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $142,248 compared with $176,476 in the same period of fiscal 2020. Professional fees consist of legal fees, audit fees and tax preparation 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 second quarter of fiscal 2021 was $231,482 up significantly from $28,072 in the same quarter of fiscal of 2020 and for the six months ended March 31, 2021 were $370,565 up from $146,932 in the same period of fiscal 2020. The increase in both periods of fiscal 2021 was due to a larger number of options vesting compared to the comparative periods of fiscal 2020.

- Amortization and depreciation costs for the second quarter of fiscal 2021 were $41,535 up from $30,744 in the same quarter of fiscal 2020 and for the six months ended March 31, 2021 was $78,635 compared with $88,057 in the same period of fiscal 2020. Amortization and depreciation are due primarily to costs associated with the amortization of right-of-use assets to the income statement and property and equipment assets.

- Warranty provision for the second quarter of fiscal 2021 was $3,655 compared with $70,738 in the same quarter of fiscal 2020 and for the six months ended March 31, 2021 were $19,738 compared with $82,332 in the same period of fiscal 2020. 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.

Quarterly Trends

(Cdn$, unless noted otherwise)

	Fiscal 2019		Fiscal 2020				Fiscal 2021	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	676,139	485,543	1,003,329	676,359	1,548	346,697	766,226	482,144
Gross margin[1]	326,860	(96,994)	214,100	216,565	1,548	65,756	202,046	88,520
Operating expenses	1,544,329	1,476,684	1,620,431	1,736,091	983,658	951,264	1,077,392	1,068,146
Operating loss	(1,217,469)	(1,573,678)	(1,406,331)	(1,519,526)	(982,110)	(885,508)	(875,346)	(979,626)
Net loss	(1,176,154)	(2,423,219)	(1,482,198)	(1,516,627)	(1,015,242)	(769,444)	(873,792)	(982,829)
Loss per common share[2]	(0.012)	(0.023)	(0.015)	(0.015)	(0.010)	(0.010)	(0.008)	(0.010)

[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. The decrease in gross margin experienced during Q2 of fiscal 2021 was due primarily to preferential pricing on sales of previous generation SmartGATE inventory and follow-on install costs related to installations realized in prior quarters. During Q1 and to a lesser extent Q2 of 2020, lower gross margins were the result of installation pricing. 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 primarily to increased staffing and related travel and administrative support. During Q3 and Q4 of 2020 and Q1 and Q2 of 2021 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

	Six months ended March 31,		
(Cdn$, unless noted otherwise)	2021	2020	Change
Cash used in operating activities	(886,422)	(2,910,100)	(70)%
Cash used in investing activities	(23,276)	(77,144)	70%
Cash provided by financing activities	309,710	(77,551)	(500)%
Total change in cash used	**(599,988)**	**(3,064,795)**	(80)%

Cash used in operating activities
During the six months ended March 31, 2021, cash used in operating activities was $886,422 down significantly from $2,910,100 in the same period of fiscal 2020. The much lower use of cash in operations during the first six months of fiscal 2021 was due to a decrease in loss of approximately $1.15 million combined with a significant inflow of cash received from customers on account and significant reduction in inventory which were offset slightly by an increase in amounts owed from customers on contract and cash used to settle accounts payable and accrued liabilities.

Cash used in investing activities
During the six months ended March 31, 2021, cash used in investing activities was $23,276, compared with cash received from investing activities of $77,144 in the same period of fiscal 2020. Cash used in the first six months of fiscal 2021 was primarily for purchase of property, plant and equipment as well as costs associated applying for patents and trademarks. In the comparative period of fiscal 2020, cash used was for acquiring property plant and equipment and patents and trademarks application costs.

Cash provided by financing activities
During the six months ended March 31, 2021, cash provided by financing activities was $309,710 compared with negative $77,551 during the same period of fiscal 2020. During the current period, proceeds from stock option exercises totaled $390,000 offset by $80,290 in total repayment of lease obligations compared with $77,551 in repayment of lease obligations in the same period of fiscal 2020.

Working Capital Items

(Cdn$, unless noted otherwise)	at March 31, 2021	at September 30, 2020	Change
Cash	1,711,227	2,286,005	(25)%
Trade receivables	317,383	973,446	(67)%
Due from customers on contract	431,212	99,293	334%
Inventory	705,533	1,198,284	(41)%
Prepaids and deposits	56,526	64,971	(13)%
Total current assets	**3,221,881**	**4,621,999**	(30)%
Trade payables	160,328	365,800	(56)%
Accrued liabilities	248,926	302,158	(18)%
Deferred revenue	5,607	-	-
Lease liabilities	124,231	71,776	73%
Warranty provision	96,426	117,892	(18)%
Total current liabilities	**635,518**	**857,626**	(26)%
Working capital	**2,586,363**	**3,764,373**	(31)%

Liquidity and capital resources measures
As at March 31, 2021, the Company had cash and cash equivalents of $1,711,227 (September 30, 2020 - $2,286,005), total current assets of $3,221,881 (September 30, 2020 - $4,621,999) and current liabilities of $635,518 (September 30, 2020 - $857,626). As at March 31, 2021, the Company had working capital of $2,586,363 (September 30, 2020 - $3,764,373).

Based on working capital as at March 31, 2021, estimated cash inflows and net proceeds of the public financing the Company agreed to on May 31, 2021 (assuming its successful closing) and requirements for fiscal 2021 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 in excess of 12 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 March 31, 2021 was $317,383 down from $973,446 at September 30, 2020. 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 $431,212 at March 31, 2021 and $99,293 at September 30, 2020, 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 March 31, 2021 was $705,533, a 41% decrease from $1,198,284 at September 30, 2020. The decrease in inventory is primarily attributable to order fulfillment from existing inventory. 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 March 31, 2021 were $160,328 and $248,926 respectively, compared with $365,800 and $302,158 at September 30, 2020. 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 March 31, 2021 was $124,231, compared with $71,776 at September 30, 2020. The increase is due to extension of the lease covering the Company's Vancouver office and a new car lease.

At March 31, 2021 the current portion of warranty provision was $96,426 compared with $117,892 at September 30, 2020.

Contractual Obligations and Contingencies

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

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

Outstanding Share Data

Class of Security	Number outstanding at September 30, 2020	Net issued (equity offering, grants, cancellations, exercises or forfeitures)	Number outstanding at March 31, 2021	Net issued (grants, cancellations, exercises)	Number outstanding at May 31, 2021
Shares[1]	102,020,303	1,558,333	103,578,636	163,667	103,742,303
Options	7,361,668	454,015	7,794,089	(247,537)	7,546,552

[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 six months ended March 31, 2021, 2,547,544 stock options were granted, 1,558,833 were exercised, 141,666 expired, and 415,124 stock options were forfeited. Subsequent to March 31, 2021 and to the date of this report a total of 30,000 were granted, 163,667 stock options were exercised, and 113,870 stock options were forfeited.

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

RISKS AND UNCERTAINTIES

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. The risks and uncertainties discussed in the Company's MD&A dated January 25, 2021, remain unchanged.

RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the three and six months ended March 31, 2021 and 2020. 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

The following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer), and CFO (Mr. Steve Vanry):

(Cdn$, unless noted otherwise)	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Salaries – R. Buchamer	62,500	62,500	118,750	125,000
Consulting fees – S. Vanry	46,250	46,250	87,875	92,500
Share based compensation – R. Buchamer	30,416	-	55,119	37,953
Share based compensation – S. Vanry	20,278	-	31,009	16,825
Car allowance – R. Buchamer	2,400	2,400	2,400	4,800
Total	**161,844**	**111,150**	**295,153**	**277,078**

Transactions with Other Related Parties

The following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Dave Guebert, Cosimo La Porta and Jonathan Lansky[1]):

(Cdn$, unless noted otherwise)	Three months ended March 31, 2021	2020	Six months ended March 31, 2021	2020
Share based compensation	35,486	-	45,498	31,562

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

At March 31, 2021, a total of $16,188 (September 30, 2020 - $14,569) was due to related parties for consulting fees and expenses reimbursement.

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 March 31, 2021 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 six months ended March 31, 2021 by approximately $65,502 (2020 - $84,000).

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk due to its potential impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the six months ended March 31, 2021 averaged 1.15% (2020 – 1.25%). A 1% nominal change in interest rates would have affected the Company's results of operations for the six months ended March 31, 2021 by approximately $8,082 (2020 - $20,000). The Company does not have any interest-bearing liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if the counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian and foreign banks that are deemed to be creditworthy. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At March 31, 2021, trade receivables from three of our customers accounted for 18%, 31%, and 44%, respectively of the Company's trade receivables balance for a total 88% in aggregate. 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. Given the nature, balances and the collection history of the Company's receivables, Management has applied a nominal loss allowance as at March 31, 2021 (September 30, 2020 – nominal).

Concentration risk

During the three and six months ended March 31, 2021, two customers accounted for 47% and 52% (Q2 2020 – four customers for 11%, 13%, 21%, and 34%) and three customers accounted for 15%, 20%, and 48% (1H 2020 - three customers for 10%, 13% and 38%) respectively of the Company's revenues.

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 March 31, 2021 the Company had cash and cash equivalents of $1,711,227 (September 30, 2020 – $2,286,005) to settle its current liabilities of $635,518 (September 30, 2020 – $857,626).

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 March 31,		Six months ended March 31,	
(Cdn$, unless noted otherwise)	2021	2020	2021	2020
Net loss	(982,829)	(1,516,627)	(1,856,621)	(2,998,825)
Add / (deduct):				
Foreign exchange	5,437	85	30,359	(700)
Interest income	(3,650)	(10,079)	(8,570)	(28,430)
Amortization and depreciation	41,535	30,744	78,635	88,057
Share based compensation	231,482	28,072	370,565	146,932
Adjusted EBITDA	**(708,025)**	**(1,467,805)**	**(1,385,632)**	**(2,792,966)**

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 six months ended March 31, 2021 and 2020
· 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, May 31, 2021