

Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS Three and nine months ended June 30, 2021

(Expressed in Canadian Dollars)

August 25, 2021



Management's Discussion and Analysis
For the three and nine months ended June 30, 2021
Dated August 25, 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 August 25, 2021, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 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 August 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. 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

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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 recent version of SmartGATE™ Platform, (released 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 power quality 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. These 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 risks and losses 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 and risk 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 who 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 to the U.S. Energy Information Administration ("EIA"), in 2020 about 93%¹ (4.027 quadrillion Btus) of the energy consumed by America's commercial buildings was generated from fossil fuels. Total fossil fuel consumption in the U.S. was 72.944 quadrillion Btus² during the same period, meaning that the commercial sector accounted for about 5.5% 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.

¹ [Commercial Energy Sector Consumption](#), EIA

² [July 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 renewable 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 more 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. The US\$73 billion in proposed U.S. grid upgrades in the U.S. Infrastructure Bill will likely compound these issues as more utility-scale renewable energy sources are connected. 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 Q3 Highlights

Much like the trend established in Q2 2021, the Company's growth trajectory in Q3 2021 was driven by the new "Insights-led" sales model which continues to be the key driver of new customer and channel partner engagements.

Q3 Fiscal 2021 Growth Highlights:

- Added 5 new channel sales partners
- Achieved largest sales booking in Company history
- Entered demonstration agreement with City of New York
- Sales bookings of \$896,000¹ compared with \$nil in Q3 fiscal 2020
- Exceeded Q3 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. 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.

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¹\$374k of which in a deferred purchase order

Bought Deal Prospectus Financing

On June 15, 2021 the Company closed a public offering with Stifel GMP, as lead underwriter on behalf of a syndicate of underwriters which purchased, on a bought deal basis, 13.8 million units of the Company at a price of \$0.75 per Unit, for aggregate gross proceeds of \$10,350,000.

Each unit consists of one common share of the company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.95 at any time up to 24 months following the closing date of the offering.

FINANCIAL RESULTS

Financial summary for the three and nine months ended June 30, 2021 and 2020

| (Cdn\$, unless noted otherwise) | Three months ended June 30, | | | Nine months ended June 30, | | |
|---------------------------------|-----------------------------|-------------|--------|----------------------------|-------------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Revenue | 1,272,192 | 1,548 | - | 2,520,562 | 1,681,236 | 50% |
| Cost of sales | 926,609 | - | - | 1,884,413 | 1,326,031 | 42% |
| Gross margin ¹ | 345,583 | 1,548 | - | 636,149 | 355,205 | 79% |
| Gross margin % ¹ | 27% | - | - | 25% | 21% | 4% |
| Operating expenses | 1,285,769 | 983,658 | 31% | 3,431,307 | 4,340,180 | (21)% |
| Adjusted EBITDA ² | (706,011) | (856,386) | (18)% | (2,091,643) | (3,658,701) | (43)% |
| Net loss | (946,616) | (1,015,242) | (7)% | (2,803,237) | (4,014,067) | (30)% |

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 third quarter of 2021 was \$1,272,192 up significantly from \$1,548 in the same quarter of fiscal 2020. Revenue for the nine months ended June 30, 2021 was \$2,520,562 up 50% from \$1,681,236 in the same period of fiscal 2020. Revenue for the three months ended June 30, 2021 primarily realized in relation to installations completed pursuant to a large sale booked in Q1 of fiscal 2021 and to a lesser extent, 5 units purchased by a reseller in Q1. Revenue for the nine months ended June 30, 2021 was up over the same period in fiscal 2020 due to stronger sales bookings and improved flexibility in customer install completion scheduling. Inventory supply chain delays continue to be a timing constraint on revenue recognition, but is expected to improve in fiscal 2022.

Gross margin in the third quarter of fiscal 2021 was 27%, compared with nil% in same quarter of fiscal 2020. Gross margin for the nine months ended June 30, 2021 was 25% compared with 21% in the same period of fiscal 2020 due in most part to economies of scale achieved through higher production throughput and comparatively 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. Management believes that in the short-term, margins may continue to be impacted by widespread supply chain cost increases, COVID-19 supplier surcharges, and component raw material (metal) costs, but as the Company scales through fiscal 2022 and supply chains return to normal, and sales bookings convert to revenue, margins should improve and be closer to long-term average results.

The Company's operating expenses for the third quarter of fiscal 2021 were \$1,285,769, up 31% from \$983,658 in the same quarter of fiscal 2020. Operating expenses for the nine months ended June 30, 2021 were \$3,431,307 down from \$4,340,180 in the same period of fiscal 2020. The primary cause for the increase in operating costs during Q3 2021 was the Company's decision to end certain cost cutting measures implemented during the onset of COVID-19, higher share based compensation and product development costs. The decrease in the nine-month comparative fiscal periods is the result of COVID-19 cost cutting measures still in effect during Q1 and Q2 of fiscal 2021.

Adjusted EBITDA for the third quarter of fiscal 2021 was negative \$706,011, compared with negative \$856,386 in same quarter of fiscal 2020. Adjusted EBITDA for the nine months ended June 30, 2021 was negative \$2,091,643 compared with negative \$3,658,701 in the same period of fiscal 2020.

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Net loss for the third quarter of fiscal 2021 was \$946,616, compared with a net loss of \$1,015,242 in the same quarter of fiscal 2020. Net loss for the nine months ended June 30, 2021 was \$2,803,237 compared with \$4,014,067 in the same period of fiscal 2020. The reduced net loss in the third quarter comparative periods was due to a gross margin of \$345,583 realized in Q3 of 2021 vs \$nil in Q3 of 2020, which was offset slightly by higher operating costs in Q3 2021. Significantly reduced operating costs and a gross margin increase of 79% were the largest contributing factors to the significantly lower net loss in in the year over year comparative nine-month periods.

Significant Operating Expenses

| (Cdn\$, unless noted otherwise) | Three months ended June 30, | | | Nine months ended June 30, | | |
|---------------------------------|-----------------------------|----------|--------|----------------------------|-----------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Salaries and consulting | 588,816 | 532,582 | 11% | 1,490,392 | 2,575,269 | (42)% |
| General and overhead | 124,573 | 72,394 | 72% | 365,840 | 594,293 | (38)% |
| Selling costs | 59,500 | 35,071 | 70% | 153,442 | 205,604 | (25)% |
| Product development | 155,886 | 75,357 | 107% | 418,094 | 203,663 | 105% |
| Professional fees | 54,607 | 116,028 | (53)% | 196,855 | 292,504 | (33)% |
| Share-based compensation | 194,292 | 120,245 | 62% | 564,857 | 267,177 | 111% |
| Warranty expense | 60,919 | (13,941) | (537)% | 80,657 | 68,391 | 18% |

- Salaries and consulting fees for the third quarter of fiscal 2021 of \$588,816, up slightly from \$532,582 during the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$1,490,392 down from \$2,575,269 in the same period of fiscal 2020. The decrease in the first 9 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 third quarter of fiscal 2021 were \$124,573, up from \$72,394 during the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$365,840 down from \$594,293 in the same period of fiscal 2020. The increase in Q3 2021 over Q3 2020 is due to higher transfer agent and filing fees incurred for the listing of the Company's warrants and higher office rent costs. The decreases in the nine month comparative periods is 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 and lower marketing, travel costs relative to the comparative period of fiscal 2020.
- Selling costs for the third quarter of fiscal 2021 were \$59,500, up from \$35,071 during the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$153,442 compared with \$205,604 in the same period of fiscal 2020. Selling costs consist primarily of sales commissions which were higher in Q3 of 2021 over Q3 of 2020. Commissions were lower in the nine months ended June 30, 2021 compared to 2020 due to delays in completing customer projects particularly in Q1 and Q2 which is the trigger for partial release of sales commissions.
- Product development costs for the third quarter of fiscal 2021 were \$155,886, up from \$75,357 during the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$418,094 up from \$203,663 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 third quarter of fiscal 2021 were \$54,607 down from \$116,028 in the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$196,855 compared with \$292,504 in the same period of fiscal 2020. Professional fees consist of legal fees, audit fees and tax preparation costs.

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- 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 third quarter of fiscal 2021 was \$194,292 up significantly from \$120,245 in the same quarter of fiscal of 2020 and for the nine months ended June 30, 2021 were \$564,857 up from \$267,177 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.
- Warranty provision for the third quarter of fiscal 2021 was \$60,919 compared with negative \$13,941 in the same quarter of fiscal 2020 and for the nine months ended June 30, 2021 were \$80,657 compared with \$68,391 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 | | |
|------------------------------------|-------------|-------------|-------------|-------------|-----------|-------------|-----------|-----------|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Revenue | 485,543 | 1,003,329 | 676,359 | 1,548 | 346,697 | 766,226 | 482,144 | 1,272,192 |
| Gross margin ¹ | (96,994) | 214,100 | 216,565 | 1,548 | 65,756 | 202,046 | 88,520 | 345,583 |
| Operating expenses | 1,476,684 | 1,620,431 | 1,736,091 | 983,658 | 951,264 | 1,077,392 | 1,068,146 | 1,285,769 |
| Operating loss | (1,573,678) | (1,406,331) | (1,519,526) | (982,110) | (885,508) | (875,346) | (979,626) | (940,186) |
| Net loss | (2,423,219) | (1,482,198) | (1,516,627) | (1,015,242) | (769,444) | (873,792) | (982,829) | (946,616) |
| Loss per common share ² | (.023) | (.015) | (.015) | (.010) | (.010) | (.008) | (.010) | (.009) |

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 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.

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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 fiscal 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

| (Cdn\$, unless noted otherwise) | Nine months ended June 30, | | |
|---|----------------------------|-------------|--------|
| | 2021 | 2020 | Change |
| Cash used in operating activities | (1,532,989) | (2,497,701) | (39)% |
| Cash used in investing activities | (22,046) | (79,530) | (72)% |
| Cash provided by financing activities | 9,612,995 | 122,800 | 7728% |
| Net change in cash and cash equivalents | 8,057,960 | (2,454,431) | (428)% |

Cash used in operating activities

During the nine months ended June 30, 2021, cash used in operating activities was \$1,532,989 down significantly from \$2,497,701 in the same period of fiscal 2020. The much lower use of cash in operations during the first nine months of fiscal 2021 was due primarily to a decrease in loss of approximately \$1.21 million.

Cash used in investing activities

During the nine months ended June 30, 2021, cash used in investing activities was \$22,046, compared with \$79,530 in the same period of fiscal 2020. Cash used in the first nine months of fiscal 2021 was primarily for purchase of property, plant and equipment as well as costs associated applying for patents and trademarks. The decreased use of cash in investments during the first nine months of fiscal 2021 was due to higher capital expenditures in fiscal 2020 comprised of test equipment and new patents and trademarks.

Cash provided by financing activities

During the nine months ended June 30, 2021, cash provided by financing activities was \$9,612,995 compared with \$122,800 during the same period of fiscal 2020. The increase was due primarily to proceeds received from the Company's public offering, and stock option exercises in the current period.

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Working Capital Items

| (Cdn\$, unless noted otherwise) | As at June 30, 2021 | As at June 30, 2020 | Change |
|----------------------------------|---------------------|---------------------|-------------|
| Cash and cash equivalents | 10,380,637 | 2,286,005 | 354% |
| Trade and other receivables | 1,161,576 | 973,446 | 19% |
| Due from customers on contract | 550,563 | 99,293 | 454% |
| Prepaid expenses and deposits | 92,085 | 64,971 | 42% |
| Inventory | 808,184 | 1,198,284 | (33)% |
| Total current assets | 12,993,045 | 4,621,999 | 181% |
| Accounts payable | 765,792 | 365,800 | 109% |
| Accrued liabilities | 732,708 | 302,158 | 142% |
| Deferred revenue | 984 | - | - |
| Lease liabilities | 118,278 | 71,776 | 65% |
| Warranty provision | 51,370 | 117,892 | (56)% |
| Total current liabilities | 1,669,132 | 857,626 | 95% |
| Working capital | 11,323,913 | 3,764,373 | 201% |

Liquidity and capital resources measures

As at June 30, 2021, the Company had cash and cash equivalents of \$10,380,637 (September 30, 2020 - \$2,286,005), total current assets of \$12,993,045 (September 30, 2020 - \$4,621,999) and current liabilities of \$1,669,132 (September 30, 2020 - \$857,626). As at June 30, 2021, the Company had working capital of \$11,323,913 (September 30, 2020 - \$3,764,373).

Based on working capital as at June 30, 2021 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 June 30, 2021 was \$1,161,576 up 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.

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Due from Customers on contract

Due from customers on contract of \$550,563 at June 30, 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. The significant increase in the 2021 period is due to sales bookings from Q1 and Q2.

Inventory

Inventory at June 30, 2021 was \$808,184, a 33% decrease from \$1,198,284 at September 30, 2020. The decrease in inventory is primarily attributable to order fulfillment from existing inventory offset slightly by a buildup in inventory for the Company's next generation Platform. 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 June 30, 2021 were \$765,792 and \$732,708 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 June 30, 2021 was \$118,278, 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 June 30, 2021 the current portion of warranty provision was \$51,370 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, cancellation, exercises or forfeitures) | Number outstanding at June 30, 2021 | Net issued (grants, cancellations, exercises) | Number outstanding at August 25, 2021 |
|---------------------|--|--|-------------------------------------|---|---------------------------------------|
| Shares ¹ | 102,020,303 | 15,522,000 | 117,542,303 | - | 117,542,303 |
| Options | 7,361,668 | 244,812 | 7,606,480 | 600,000 | 8,206,480 |
| Warrants | - | 7,716,800 | 7,716,800 | - | 7,716,800 |

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

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Incentive stock options

During the nine months ended June 30, 2021, 2,657,544 stock options were granted, 1,722,000 were exercised, 141,666 expired, and 549,066 stock options were forfeited. Subsequent to June 30, 2021 and to the date of this report a total of 600,000 stock options were granted.

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 nine months ended June 30, 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 June 30, | | Nine months ended June 30, | |
|--|-----------------------------|----------------|----------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries - R. Buchamer | 112,500 | 56,250 | 231,250 | 181,250 |
| Consulting fees - S. Vanry | 66,250 | 41,625 | 154,125 | 134,125 |
| Share based compensation - R. Buchamer | 54,634 | 37,953 | 109,753 | 75,906 |
| Share based compensation - S. Vanry | 30,686 | 16,826 | 61,695 | 33,651 |
| Car allowance - R. Buchamer | 2,400 | - | 4,800 | 4,800 |
| Total | 266,470 | 152,654 | 561,623 | 429,732 |

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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 June 30, | | Nine months ended June 30, | |
|---------------------------------|-----------------------------|---------------|----------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Directors' fees | - | - | - | - |
| Share-based compensation | 88,343 | 41,661 | 133,841 | 73,223 |
| Total | 88,343 | 41,661 | 133,841 | 73,223 |

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

At June 30, 2021, a total of \$37,188 (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 June 30, 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 nine months ended June 30, 2021 by approximately \$111,000 (nine months ended June 30, 2020 - \$136,000).

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

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the nine months ended June 30, 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 nine months ended June 30, 2021 by approximately \$10,715 (2020 - \$26,000). 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 June 30, 2021, trade receivables from one of our customers accounted for 97% of the Company's trade receivables balance. 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 June 30, 2021 (September 30, 2020 – nominal).

Concentration risk

During the three and nine months ended June 30, 2021, two customers accounted for 24% and 76% (Q3 2020 – \$nil revenue) and three customers accounted for 10%, 16%, and 62% (nine months ended June 30, 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 June 30, 2021 the Company had cash and cash equivalents of \$10,380,637 (September 30, 2020 – \$2,286,005) to settle its current liabilities of \$1,669,132 (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.

| (Cdn\$, unless noted otherwise) | Three months ended June 30, | | | Nine months ended June 30, | | |
|---------------------------------|-----------------------------|------------------|--------------|----------------------------|--------------------|--------------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Net loss | (946,616) | (1,015,242) | (7)% | (2,803,237) | (4,014,067) | (30)% |
| Add/(deduct): | | | | | | |
| Foreign exchange | 3,961 | 1,479 | 168% | 34,320 | 779 | 4306% |
| Interest income | (863) | (7,311) | (88)% | (9,433) | (45,090) | (79)% |
| Amortization and depreciation | 43,215 | 44,443 | (3)% | 121,850 | 132,500 | (8)% |
| Share based compensation | 194,292 | 120,245 | 62% | 564,857 | 267,177 | 111% |
| Adjusted EBITDA | (706,011) | (856,386) | (18)% | (2,091,643) | (3,658,701) | (43)% |

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 nine months ended June 30, 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, August 25, 2021