Legend Power

Legend Power Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2014

BACKGROUND

This discussion and analysis of financial position and results of operation is prepared as at January 23, 2015, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2014 and 2013 of Legend Power Systems Inc. ("Legend" or the "Company"). The following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all comparative information provided is in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian Dollars. 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.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. Material updates or revisions to forward-looking statements, whether as a result of new information, future events, or otherwise, are provided as part of this discussion whenever applicable.

OVERALL PERFORMANCE

Legend Power Systems Inc. and its wholly owned subsidiaries, 0809882 B.C. Ltd. - (Canada), Legend Power Systems Corp. - (USA) and LPSI (Barbados) Limited - (Barbados), (collectively, the "Company" or "Legend") is an electrical energy conservation company that markets a patented device designed to provide energy savings through voltage optimization to commercial and industrial customers. Many customers receive higher voltage levels than required from electrical utilities at certain points of the grid due to line loss across the feeder length. Higher than nominal voltage can affect the lifespan of electrical equipment and result in higher monthly utility bills. Legend's Electrical Harmonizer ("Electrical Harmonizer") eliminates inefficiencies by delivering the optimal level of voltage that a user needs. By delivering the optimal voltage to the user, the Electrical Harmonizer helps customers reduce their electricity bills and maintenance costs while increasing the life of electrical equipment.

SELECTED ANNUAL INFORMATION

	Years ended September 30		
	2012	2013	2014
Revenue	117,565	364,161	841,304
Loss before other items	(2,265,431)	(1,931,575)	(1,772,259)
Net loss and comprehensive loss	(2,215,207)	(2,146,544)	(2,011,323)
Per share basic and diluted	(0.10)	(0.08)	(0.04)
Total assets	1,265,509	1,030,991	3,307,759
Long term liabilities	49,000	70,000	89,000
Cash dividends paid	-	-	-

RESULTS OF OPERATIONS

The audited consolidated financial statements for the years ended September 30, 2014 and 2013 (the "Financial Statements") are incorporated by reference herein and form an integral part of this Management's Discussion and Analysis. The Financial Statements can be found at www.sedar.com.

Revenue

Revenue for the year ended September 30, 2014 (the "Current Year") and for the year ended September 30, 2013 (the "Comparative Year"), was as follows:

Total revenue for the Current Year increased by 131% to $841,304 from $364,161 for the Comparative Year, mainly due to increased efforts in Ontario.

A major portion of the revenue is derived from sales and installations of Electrical Harmonizer systems. Also included in revenue are monthly receipts from past installations where the customers did not purchase units up front but are sharing with the Company power savings achieved on a monthly basis in accordance with agreements signed at the time.

Revenue for the year was negatively affected by malfunction of certain components within the controller system of the Electrical Harmonizer, which resulted in the deferral of certain projects. The Company has since successfully re-engineered its entire product and is continuing to constantly improve it. Revenue increases are expected for the ensuing year as sales and installations catch up with demand.

Cost of sales

Cost of sales for the Current Year was 72.0% compared to 72.7% for the Comparative Year. Installation costs for the year were higher than forecast due to unforeseen adverse site conditions on some projects. All other product costs were lower than forecast. Cost of sales consisted primarily of Electrical Harmonizer product components, installation costs, sales commissions and other costs for monitoring and testing existing installations.

Margin on product has already improved and will continue to improve with volume, economies of scale and cost optimization. Installation margin however, has been a challenge due to customers' electrical room variations, the complexity of retrofit product and also because electrical contracting is generally a low margin business. Installations have, to date, been a necessary part of a "proof of concept" strategy for the Company. Going forward, the Company will continue its strategy to sell more through a distributorship channel as part of its growth plan and, as such, should have reduced exposure to the installation side of business.

Expenses

Expenses for the Current Year decreased slightly to $2,007,688 from $2,030,988 in the Comparative Year. This was achieved despite the additional costs during the period for financing fees and share-based compensation expense totaling approximately $286,000. The overall reduction in expenses was due to the continuing curtailment of programs and reduction of payroll and other costs across the board through effective management.

The main expenditure categories are as follows:

a) Product development consists primarily of costs relating to the design of the Company's products and to the development and testing of prototypes, not including salaries. These costs for the Current Year amounted to $57,639 compared to $64,461 for the Comparative Year. The Company expects these costs to increase as the Company expands its product offering into new vertical market segments.

b) Interest and Bank Charges for the Current Year decreased to $26,275 from $45,655 in the Comparative Year reflecting the reduced interest cost on the credit facility paid down by $500,000 during the period.

c) Salaries decreased by 5.6% for the Current Year to $678,719 from $719,338 for the Comparative Year due to additional temporary salary reductions of up to 50% during the year. Additionally, employees accepted shares in the Company for salaries deferred during periods of cash shortages.

d) Advertising and promotion expense for the Current Year increased to $13,181 from $6,943 for the Comparative Year due to increased expenditure on website maintenance and on online marketing. Some other programs including the customer relationship management system (CRM) continued to be curtailed.

e) Consulting services consist of costs related to external consultancy from sales consultants, technical consultants, information technology providers and financial consultants (not including investor relations consultants). Consulting expense for the Current Year decreased slightly to $301,833 from $303,890 for the Comparative Year due to temporary fee reductions by consultants and curtailment of some services.

f) Legal and professional fees decreased by 25.6% during the Current Year to $75,801 from $101,869 for the Comparative Year, resulting mainly from reduction of legal fees and external accounting & audit fees.

g) Rent expense increased slightly for the Current Year to $115,569 from $114,367 for the Comparative Year, due to an expected nominal increase in property common area charges.

h) Insurance expense decreased by 9.3% for the Current Year to $36,345 from $40,088 for the Comparative Year as a result of assertive negotiation of lower policy renewal costs.

i) Share-based compensation expense is attributable to grants of share options to employees, officers, directors and consultants that are being expensed over the vesting period of the options. Share-based compensation expense booked for the Current Year was $286,057, higher than in the Comparative Year due to higher grants and vesting. In the Comparative Year, the expense was $140,087.

j) Travel expense for the Current Year decreased by 6.2% to $45,266 from $48,251 for the Comparative Year, mainly due to lower travel activity to Ontario during the year.

k) Financing fees of $75,377 during the Current Year were incurred for the promissory note facility, comprising of renewal costs, a terminal bonus payment and legal fees. This note was paid off during the year.

Other items

Loss on product installations: during the Current Year, the Company experienced failures on certain components within the Electrical Harmonizer systems. These failures resulted in the removal of some of the Electrical Harmonizer systems which were previously installed during the Current Year and the Comparative Year. The loss on product installations of $200,103 in the Current Year (Comparative Year: $101,484) includes both product and installation costs and removal costs of the previously installed Electrical Harmonizers systems. Other related costs such as freight costs and replacement component costs were also expensed.

SUMMARIZED QUARTERLY RESULTS

	Dec-31 2012	Mar-31 2013	Jun-30 2013	Sep-30 2013	Dec-31 2013	Mar-31 2014	Jun-30 2014	Sep-30 2014
Revenue	443,371	61,911	33,105	(174,226)	176,721	421,681	210,801	32,101
Loss before other items	(356,690)	(566,575)	(404,267)	(604,043)	(285,138)	(411,483)	(379,534)	(696,104)
Net loss	(375,819)	(566,366)	(407,807)	(796,552)	(329,923)	(422,820)	(414,439)	(844,141)
Per share basic and diluted	(0.015)	(0.979)	(0.985)	0.021	(0.008)	(0.010)	(0.008)	(0.040)

There are no seasonal effects or other trends in the Company's business over the quarters presented.

FINANCIAL CONDITION / CAPITAL RESOURCES

As at September 30, 2014, the Company had cash of $2,410,077 (September 30, 2013: $1,698), total assets of $3,307,759 (September 30, 2013: $1,030,991) and current liabilities of $401,133 (September 30, 2013: $1,181,818). As at September 30, 2014, the Company had working capital of $2,436,440 (September 30, 2013: deficit of $776,633).

Based on the working capital as at September 30, 2014 and estimated cash requirements in fiscal 2015, management believes the Company has sufficient capital to continue business operations over at least the next twelve months.

The Company has traditionally relied in the past 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.

The Company also has 2.35 million warrants exercisable at $0.30 expiring in February and March 2015.

COMMITMENTS

The Company leases office premises in Burnaby, B.C., under an operating lease that expires on September 30, 2016. The Company is obligated to make the following minimum lease payments under its operating lease:

Year ending September 30, 2015	111,588
Year ending September 30, 2016	111,588
	$ 223,176

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

The Company has an employment agreement with the President & CEO that contains severance provisions whereby termination without cause or with cause within 12 months following change of control may result in additional costs to the Company unless re-negotiated or settled otherwise. A summary of the employment terms for the President & CEO may be found in the Company's Information Circular filed on SEDAR at www.sedar.com.

CAPITAL & RESERVES

The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid. On October 15, 2013, the Company consolidated its outstanding common shares on a 3:1 basis. The fiscal 2014 and 2013 share and per share amounts have been adjusted to reflect the consolidation.

a) During the year ended September 30, 2014, the following transactions occurred:

(i) On October 21, 2013, the Company completed a private placement in which it issued a total of 8,185,165 units at $0.09 per unit for aggregate gross proceeds of $736,665. Each whole unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one share at a price of $0.15 per share until October 18, 2016. The Company paid finder's fees of 10% of the funds raised satisfied by the issuance of 718,405 units at a price of $0.09 each.

The fair value of the warrants, estimated using the Black-Scholes option pricing model, is $533,642. The assumptions used were: a risk-free interest rate of 1.411%; an estimated volatility of 141.51%; an expected life of three years; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%. The residual value of $203,023 was attributed to the common shares.

(ii) During March and April 2014, the Company raised $1,543,352 from the exercise of warrants under its warrant incentive exercise program. The program was launched on March 7, 2014 to encourage the early exercise of two sets of outstanding warrants to purchase up to 11,104,570 shares for $0.15 per share exercisable until July 31, 2016 and October 18, 2016 (the "Original Warrants"). The warrant incentive exercise program was carried out in two tranches ending on March 31, 2014 and on April 17, 2014. The total number of warrants exercised under this program was 10,289,013.

To encourage the early exercise of the Original Warrants, the Company amended their terms so that each holder who exercised Original Warrants on or before March 31, 2014 received an additional non-transferable share purchase warrant (an "Additional Warrant").

Each Additional Warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.30 until October 18, 2016.

Under the second tranche ending April 17, 2014, each Additional Warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.30 until July 31, 2016.

Any Original Warrants not exercised under these warrant incentive exercise programs shall continue to be exercisable to purchase only common shares of the Company on their original terms.

The fair value of the warrants issued at March 31, 2014, estimated using the Black-Scholes option pricing model, was $1,471,961. The assumptions used were: a risk-free interest rate of 1.103 - 1.158%; an estimated volatility of 107.64 - 132.05%; an expected life of twenty seven to thirty months; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%.

(iii) On April 15, 2014 the Company raised $4,167 by issuing 13,889 shares resulting from a stock option exercise at $0.30 each.

(iv) On May 16, 2014, the Company raised $71,500 from the exercise of 238,333 warrants at $0.30 each. These were warrants originally issued on February 28, 2013 with an expiry date of February 27, 2015.

(v) On August 20, 2014, the Company raised $120,000 from the exercise of 400,000 warrants at $0.30 each. These warrants had expiry dates of February 27, 2015 and July 31, 2016.

(vi) During September 2014, the Company raised $2,261,999 from the exercise of 5,026,665 warrants at $0.45 each, which were to expire on September 28, 2014. It raised a further $60,000 from the exercise of 200,000 at $0.30 each with an expiry date of October 18, 2016.

(vii) The fair value reversed for all warrants exercised up to September 30, 2014 was $1,200,168.

b) During the year ended September 30, 2013, the following transactions occurred:

(i) On October 31, 2012, as consideration for structuring the credit facility, the Company issued to the lenders, as a bonus, 444,444 units, comprised of one common share of the Company and one common share purchase warrant that entitles the holder thereof to purchase one share at a price of $0.30 up to October 31, 2013.

(ii) On November 13, 2012 the Company privately sold 90,000 units of Legend Power ("Units") at a price of $0.15 for gross proceeds of $13,500 to one insider of the Company. Each Unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one share at a price of $0.30 per share up to November 13, 2013.

The fair value of the warrants, estimated using the Black-Scholes option pricing model, is $5,810. The assumptions used were: a risk-free interest rate of 1.002%; an estimated volatility of 131%; an expected life of one year; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%. The residual value of $7,690 was attributed to the common shares.

(iii) On March 11, 2013, the Company completed a private placement in which it issued a total of 2,826,429 units at $0.21 per unit for aggregate gross proceeds of $593,550. Each whole unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $0.30 per share until March 4, 2015.

The fair value of the warrants, estimated using the Black-Scholes option pricing model, is $279,676. The assumptions used were: a risk-free interest rate of 0.996%; an estimated volatility of 130%; an expected life of two years; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%. The residual value of $313,874 was attributed to the common shares.

(iv) On March 27, 2013, the Company issued 111,350 shares at a price of $0.30 in satisfaction of indebtedness totaling $33,405.

(v) On July 31, 2013, the Company completed a private placement in which it issued a total of 2,201,000 units at $0.09 per unit for aggregate gross proceeds of $198,090. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $0.15 per share until July 31, 2014 and for $0.30 per share for another two years to July 31, 2016.

The fair value of the warrants, estimated using the Black-Scholes option pricing model, is $158,035. The assumptions used were: a risk-free interest rate of 1.028%; an estimated volatility of 127%; an expected life of three years; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%. The residual value of $40,055 was attributed to the common shares.

(vi) On August 8, 2013, the Company issued 544,887 shares at a price of $0.15 in satisfaction of indebtedness totaling $81,733.

Reserves consist of the accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants is as follows:

	September 30, 2014	
	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	10,905,094	$0.36
Issued	19,014,735	$0.23
Exercised	(16,154,013)	$0.25
Expired	(851,000)	$0.45
Balance, end of year	12,914,816	$0.29

	September 30, 2013	
	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	14,206,958	$0.60
Issued	5,561,873	$0.30
Expired	(8,863,737)	$0.54
Balance, end of year	10,905,094	$0.36

The following table summarizes information of the number of common shares reserved pursuant to the warrants outstanding and exercisable at September 30, 2014:

Number of Warrants	Exercise Price	Expiry Date
1,143,096	$0.30	February 27, 2015
1,211,667	$0.30	March 4, 2015
2,034,333	$0.30	July 31, 2016
815,555	$0.15	October 18, 2016
7,710,165	$0.30	October 18, 2016
12,914,816		

SHARE-BASED COMPENSATION

The Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of share options to directors, officers, employees and consultants. The terms of each option award are fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest over various time periods from the grant date to five years at the discretion of the board of directors.

A summary of the Company's share options at September 30, 2014, including the changes during the period, is as follows:

	Number of Share Options	Weighted Average Exercise Price
Balance, October 1, 2012	1,730,845	$1.20
Granted	1,675,663	$0.30
Expired	(447,511)	$2.76
Balance, September 30, 2013	2,958,997	$0.45
Granted	1,030,000	$0.20
Exercised	(13,889)	$0.30
Cancelled	(325,783)	$1.47
Balance, September 30, 2014	3,649,325	$0.35

The following table summarizes share options outstanding and exercisable at September 30, 2014:

Share Options Outstanding	Share Options Exercisable	Exercise Price	Expiry Date
25,000	25,000	$1.47	October 25, 2014
66,666	66,666	$0.63	November 3, 2015
499,998	499,998	$0.63	February 10, 2016
83,333	83,333	$0.63	February 14, 2016
466,665	272,219	$0.42	April 18, 2017
708,333	236,113	$0.30	May 21, 2018
769,330	769,330	$0.30	August 20,2018
1,030,000	171,668	$0.20	February 23, 2019
3,649,325	2,124,327		

The fair value of share options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2014	September 30, 2013
Risk-free interest rate	1.96%	1.83%
Estimated volatility	98.14%	90%
Expected life (years)	3.97	3.68
Estimated forfeiture rate	15.42%	16.65%

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

CORPORATE GOVERNANCE

This management's discussion and analysis, in addition to the related audited consolidated financial statements have been reviewed and approved by the Company's Audit Committee and Board of Directors.

RISKS AND UNCERTAINTIES

Lack of Revenues and Dividends

The Company anticipates that with growing sales it should meet its operating costs. Since the date of incorporation, the Company has accumulated losses, and while the Company does not expect such losses to continue, there can be no assurance that such losses will not continue.

Financing

The ability of the Company to arrange any further financing will depend in part on the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing.

The Company may not be successful in generating sufficient cash from operations or in raising capital in sufficient amounts on acceptable terms to implement its entire business plan. The failure to generate sufficient cash flows or to raise sufficient funds may require the Company to delay or abandon some or all of its plans or otherwise forego market opportunities and may make it difficult for the Company to respond to competitive pressures, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Limited Operating History

The Company was founded in 2001 as a research & development company. Until 2011 the Company was in field trials with different products. The Company has recently begun marketing and selling in the North American market. The ability of the Company to sustain revenue and income in this market segment is not fully proven, and the Company's limited operating history makes an evaluation of the Company's performance and its prospects difficult. The Company's performance and its prospects must be considered in light of the risks, expenses and difficulties encountered by companies in the field of energy efficiency. To address these risks, among other things, the Company must sell the Harmonizer and build its brand name effectively, grow its infrastructure to accommodate customers, respond to competitive developments and retain and motivate qualified personnel.

Exchange Rate Fluctuations

A portion of the Company's business may be done in U.S. dollars. Therefore, changes in the exchange rates between the Canadian dollar and other currencies may have an adverse effect on the Company's business, financial condition, future prospects and results of operations.

One Product Company

The success of the Company will be largely dependent upon sales of its Electrical Harmonizer, but the Company has the ability and is planning to introduce additional products, enhanced offerings and line extension based on its core technology.

Dependence Upon New Markets; Uncertainty of Acceptance of Product Offerings

The market acceptance of the Electrical Harmonizer in North America remains to be proven and the Company's future growth will depend upon successful marketing of the Electrical Harmonizer. If the market targeted by the

Company fails to develop, develops more slowly than expected, is successfully and significantly penetrated by competitors or if the Electrical Harmonizer does not achieve broad market acceptance, the Company's business, results of operations and financial conditions would be materially and adversely affected.

Potential Fluctuations in Results of Operations

The Company does not have an operating history sufficient to assess whether significant fluctuations in operations on a quarterly and an annual basis will occur. Results of operations may vary partly due to factors which are outside of the Company's control. These factors may include:

a) demand for, and market acceptance of the Company's products;

b) introduction of products by competitors;

c) reliable continuity of service;

d) reliable supply of materials to the Company;

e) customer retention;

f) currency fluctuations;

g) changes in the pricing policies of suppliers; and

h) timing and magnitude of expenditures on advertising and promotion.

Competition

The Electrical Harmonizer is the only technology of its kind in North America and the Company holds patents on the technology in five countries. Attempts have been made by one other company to achieve voltage regulation electronically, albeit unsuccessfully. There is also a company in the United Kingdom that sells similar equipment but without the critical capability of voltage regulation in the North American market. The Company believes that none of them have all of the capabilities and features of the Electrical Harmonizer.

The Company believes that there are no direct competitors today that are focusing on the same target market due to its patent protections. The Company may, however, face additional competition from new market entrants. If and when that does occur in the future, the Company will respond appropriately.

Management of Growth

The Company business plan involves expansion of its customer base and technologies coupled with additional funding resources and a broader range of employees. This growth will place a significant strain on the Company's financial, management, operational and other resources. The Company's management, personnel, systems, procedures and controls may not be adequate to support the Company's existing and future operations. If the Company's executives are unable to manage growth effectively, the Company's business, results of operations and financial condition could be materially and adversely affected.

Dependence on Key Personnel

The Company's success depends in significant part upon the continued services of its key technical, sales and senior management personnel. Any officer or employee of the Company can terminate his or her relationship with the Company at any time. There is no assurance the Company can maintain the services of those individuals or other qualified personnel required to operate its business. Failure to do so could have a material adverse affect on the Company and its prospects.

The Company's future success will also depend on its ability to attract, train, retain and motivate highly qualified technical, marketing, sales and management personnel. Competition for such personnel is intense, and the Company may not be able to attract and retain key personnel. The loss of the services of one or more of the Company's key employees or the Company's failure to attract additional qualified personnel could have a material adverse effect on the Company's business, results of operations and financial condition.

Suppliers

The business failure of suppliers or any adverse impact upon them such as shortages of materials, labor strife or unrest, inability to obtain transportation for the manufactured units may adversely affect the Company's ability to meet its financial objectives. Reliance on suppliers also subjects the Company to the risks of shortage of components, the possibility of defective parts produced by others, and increases in component costs, all of which may adversely affect the Company's profitability.

In its manufacturing and assembly processes, the Company requires quality components to be supplied by third parties. Failure of such third party suppliers to meet component delivery schedules may disrupt production schedules at the Company.

Installation

The Company generates revenue through direct product sales, product sales and installations and in limited circumstances, ongoing energy savings revenue from past product installations. It is anticipated that most Electrical Harmonizer installations will be done partly by the Company's employees and partly by local qualified electrical contractors. The ability to install the Electrical Harmonizer in a timely fashion will be dependent on the availability of such contractors. While there is a Canadian Electrical Code that sets minimum standards that apply to the installation of the Electrical Harmonizer, there can be variations in the cost of installation. Going forward, the Company's strategy is to sell more through a distributorship channel, and as such, should have reduced exposure to the installation side of business.

Government Regulation

Canadian Provincial and Federal statutes concerning electrical safety require the Company's products to be approved listed products. All products manufactured, sold and installed by the Company are subject to safety certification procedures by approved safety bodies, and are listed products.

Insurance

A defect in the products manufactured by the Company or in the installation process could result in serious personal injury, property damage, and lost hours of operation and revenue. Although the Company carries general liability insurance of up to $10,000,000, it is not fully insured against all risks, nor are all such risks fully insurable.

Product Liability

A malfunction of the Company's products could result in tort or warranty claims. Even where a claim is without merit, the costs of defending could be substantial in terms of actual monetary expense as well as diversion of managerial attention. Any liability for damages resulting from malfunctions of the Company's products or other costs incurred to remedy the problem, such as product recalls, could be substantial and could increase the Company's expenses and prevent the Company from growing its business. In addition, a well publicized actual or perceived problem could adversely affect market perception of the Company's products. This could result in a decline in demand for the Company's products, which would reduce its revenue and harm its business.

DIVIDENDS

During the most recently completed financial period, no dividends were paid on the common shares issued and outstanding. It is not expected that dividends will be paid on the common shares in the foreseeable future as it is the Company's current policy to retain earnings to finance expansion and to otherwise be used for the Company's business, unless profits far exceed such requirements. Future payment of dividends will be dependent upon the Company's financial condition, financial requirements to fund future growth, and other factors the Board of Directors may consider appropriate in the circumstances. Until the Company pays dividends, which it may never do, shareholders will not be able to receive a return on their common shares unless they sell them.

RAPID GROWTH

Internal growth is a principal component of the Company's strategy, and the Company anticipates undergoing a period of expansion in its business. If the Company fails to sustain or effectively manage such growth, its operating results will fluctuate and suffer. The Company's growth depends on its ability to accomplish a number of things, including identifying and developing new geographic markets, developing new products and market acceptance for them, increasing the Company's manufacturing and outsourcing capacity, maintaining current customer and distributor relationships and developing new ones, and successfully managing expansion and arranging the necessary financing.

Any growth the Company achieves will require additional personnel and will increase the scope of both its operating and financial systems and the geographic area of its operations. This will increase its operating complexity and may place significant strain on its management and other resources. The Company may not be able to attract and retain qualified personnel, and its current operating and financial systems and controls may not be adequate to support such growth. The Company's ability to improve its systems and controls may be limited by increased costs, technological challenges or lack of qualified personnel. In addition, the Company's past results may not be indicative of the Company's future prospects or ability to penetrate new markets, which may have different competitive conditions and demographic characteristics than current markets. Failure to effectively manage the budgeting, forecasting and other process control issues arising from growth could materially and adversely affect the Company's business, financial condition and results of operations. In addition, the Company's expense levels are based, in part, on expected future revenues and the Company is limited in its ability to reduce expenses quickly if for any reason its purchase orders do not meet expectations in a particular quarter or year.

The Company may also grow through investment in or acquisition of complementary businesses. In connection with any investment or acquisition the Company makes, however, there may be liabilities that the Company fails to discover or is unable to discover and for which the Company, as successor owner, may be responsible. In addition, acquisitions often result in difficulties in integration, which may place significant strain on management and other resources and disrupt business operations.

ADOPTION OF ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has adopted the following new accounting standards and interpretations effective October 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on the consolidated financial statements.

(i) IFRS 10 - *Consolidated Financial Statements*. IFRS 10 defines a single concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(ii) IFRS 11 - *Joint Arrangements*. IFRS 11 focuses on the rights and obligations of an arrangement rather than its legal form. The standard distinguishes between joint operations, where the joint operator accounts for the assets, liabilities, revenues, and expenses relating to its involvement, and joint ventures, which must be accounted for using the equity method.

(iii) IFRS 12 - *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities.

(iv) IFRS 13 - *Fair Value Measurement*. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. Previously, a variety of fair value techniques and disclosures were possible under the requirements of separate applicable IFRS's.

NEW STANDARDS NOT YET ADOPTED

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

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

(ii) IFRS 15 - *Revenue from contracts with customers.* IFRS 15 is effective for annual periods beginning on or after January 1, 2017. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

RELATED PARTY DISCLOSURES

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below. A number of these entities transacted with the Company during the reporting period. The terms of conditions of the transactions with key management personnel and 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.

(i) Transactions with Key Management Personnel:

During fiscal 2014 and 2013, the following amounts were incurred with respect to the Company's CEO (Mr. Randy Buchamer) and the CFO (Mr. Shabir Dhanani):

	September 30, 2014	September 30, 2013
Salaries - Mr. Buchamer	$ 162,500	$ 158,750
Salaries - Mr. Dhanani	84,150	86,487
Share-based compensation - Mr. Buchamer	29,236	64,646
Share-based compensation - Mr. Dhanani	4,177	16,479
	$ 280,063	$ 326,362

(ii) Transactions with Other Related Parties:

During fiscal 2014 and 2013, the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Michael Atkinson, Doug Blakeway, Jamie Blundell, Michael Harcourt, Troy Moreira, Bruce Sampson, Michael Thomson and Matt Walker and Dr. Jan Carr):

	September 30, 2014	September 30, 2013
Consulting fees - Mr. Atkinson	$ -	$ 13,500
Directors' fees cancelled - Mr. Atkinson	-	(4,666)
Directors' fees cancelled - Mr. Blakeway	-	(7,187)
Directors' fees cancelled - Mr. Harcourt	-	(5,507)
Directors' fees cancelled - Mr. Moreira	-	(4,000)
Directors' fees cancelled - Mr. Sampson	-	(1,000)
Directors' fees cancelled - Dr. Carr	-	(4,947)
Share-based compensation - Mr. Atkinson	20,884	9,013
Share-based compensation - Mr. Blundell	29,236	-
Share-based compensation - Mr. Harcourt	20,883	6,760
Share-based compensation - Mr. Moreira	-	4,506
Share-based compensation - Mr. Thomson	-	11,266
Share-based compensation - Mr. Walker	29,236	-
	$ 100,239	$ 17,738

(iii) During fiscal 2014, the Company incurred interest on promissory notes of $20,333 (2013 - $40,478) payable to key management personnel and other related parties.

(iv) Refer to Note 11 in the audited consolidated financial statements for the years ended September 30, 2014 and 2013.

EVENTS AFTER THE REPORTING PERIOD:

(i) On October 1, 2014 the Company granted incentive stock options to employees, officers and directors to purchase up to 1,515,000 common shares for a period of 5 years at $0.55 per share. These options vest over a period of three years.

(ii) On October 6, 2014, 10,000 stock options were exercised at an exercise price of $0.20 for total proceeds of $2,000.

(iii) On October 25, 2014, share options to purchase 25,000 common shares at $1.47 expired without exercise.

SHARE PRICE VOLATILITY

Legend's share price has been highly volatile following its TSX-V listing on July 3, 2008 due to market conditions and may continue to experience significant fluctuation in the future. Among the factors that could affect Legend's share price are: quarterly variations in operating results, news announcements, research reports by analysts and other developments with respect to the Company's industry or competitors, changes in general market conditions, lack of liquidity in the marketplace and domestic and international economic factors unrelated to the Company's performance.

The markets for equity securities of technology companies have been highly volatile recently and the market price of Legend's common shares may be subject to innovations or new products by the Company or its competitors, fluctuations in energy prices, patent or proprietary rights developments and market conditions for high technology stocks in general. In addition, stock markets in recent years have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These market fluctuations may adversely affect the market price of Legend's shares. There can be no assurance that the trading price of Legend's shares will remain at or near the current trading price.

The Company's outstanding share data (post consolidation) as at January 23, 2015:

Issued and outstanding	56,801,964
Warrants	12,914,816
Stock options outstanding	5,139,325
Total	74,856,105