

Management's Discussion and Analysis

For the three months and nine months ended December 31, 2016
(Unaudited)

For purposes of this discussion, *the LTSA* refers to the Land Title and Survey Authority of British Columbia and its wholly-owned subsidiary, LandSure Systems Ltd. *This quarter* and *2016* mean the quarter ended December 31, 2016; *last year* and *2015* mean the quarter ended December 31, 2015; *next quarter* means the quarter ending March 31, 2017.

Core business consists of the operations of the land title and surveyor general divisions; the myLTSA segment is the on-going operation of the electronic and communications portal used by customers to access LTSA information and services and the ParcelMap BC segment includes the development, ongoing operation and support of the electronic map system of all titled and surveyed provincial Crown land parcels.

Advisory

This management's discussion and analysis ("MD&A"), dated February 17, 2017, should be read in conjunction with the LTSA's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended December 31, 2016, as well as the LTSA's consolidated financial statements and MD&A for the year ended March 31, 2016. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

This report contains forward-looking statements, including statements regarding the LTSA's business and anticipated financial performance. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgement based on facts and assumptions that management considers reasonable. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated in the forward-looking statements.

Highlights

Third Quarter Highlights

Total revenues were \$9.7 million for the three months ended December 31, 2016, unchanged from the three months ended December 31, 2015.

Net income for the three months ended December 31, 2016 was \$1.5 million, a decrease of \$1.3 million from the same period in 2015.

The reduction in net income was due to increased operating expenses of \$1.3 million. This reflects the continuing transition from build phase to operating phase in the ParcelMap BC project and the initial phase of Project ACE, which continues the LTSA's commitment to improve

customer experience via new and enhanced services on myLTSA including electronic search and filing improvements.

Results

This quarter's net income decrease of \$1.3 million from 2015 arose from \$0.4 million lower earnings in core business, \$0.2 million lower earnings from the myLTSA segment and \$0.7 million lower earnings in the ParcelMap BC segment.

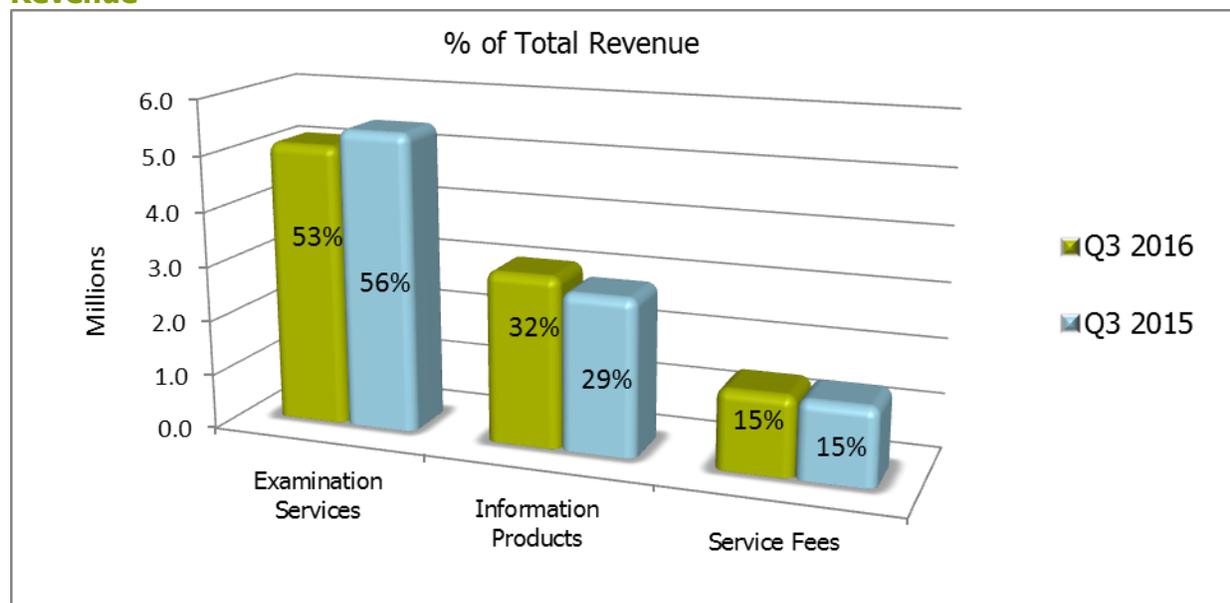
Cash flows from operating activities for the quarter were \$3.0 million in 2016 compared to \$4.3 million in 2015. Investments in property and equipment and intangible assets decreased to \$1.4 million from \$2.3 million in the same period in the prior year, all financed from operations. The decrease in investment is primarily due to the ParcelMap BC project nearing the end of the build phase and transitioning to the operating phase.

The following table sets forth certain consolidated statement of operations data, as well as consolidated statement of financial position data, expressed in dollars, as at December 31, 2016 and 2015.

	Three Months		Nine Months	
	2016	2015	2016	2015
Revenue	\$9,696,104	\$9,718,847	\$33,554,278	\$30,942,151
Expenses:				
Salaries and benefits	3,388,084	3,160,902	10,130,643	9,349,493
Information services	1,017,008	518,122	2,651,743	2,208,599
Office and business expenses	537,871	500,895	1,447,730	1,065,832
Building occupancy	803,562	817,263	2,397,618	3,194,016
Professional fees	732,664	504,573	1,488,547	1,025,795
Amortization	1,717,626	1,400,146	4,967,838	3,997,602
	8,196,815	6,901,901	23,084,119	20,841,337
Operating income	1,499,289	2,816,946	10,470,159	10,100,814
Other income (expenses):				
Bank charges, interest and investment fees	(26,865)	(25,649)	(83,799)	(77,818)
Interest income	133,072	103,152	395,915	294,082
Gain (loss) on disposal of equipment	1,730	(6,777)	2,645	(86,311)
Total other income and expenses	107,937	70,726	314,761	129,953
Income and comprehensive income before taxes	1,607,226	2,887,672	10,784,920	10,230,767
Income taxes	68,693	89,050	434,406	336,471
Net income and comprehensive income	\$1,538,533	\$2,798,622	\$10,350,514	\$9,894,296
Operating Margin	15%	29%	31%	33%

	<u>December 31, 2016</u>	March 31, 2016
Total assets	\$89,377,206	\$81,354,931
Total liabilities	\$13,059,592	\$15,387,831
Total non-current liabilities	\$2,787,285	\$2,452,771
Total equity	\$76,317,614	\$65,967,100

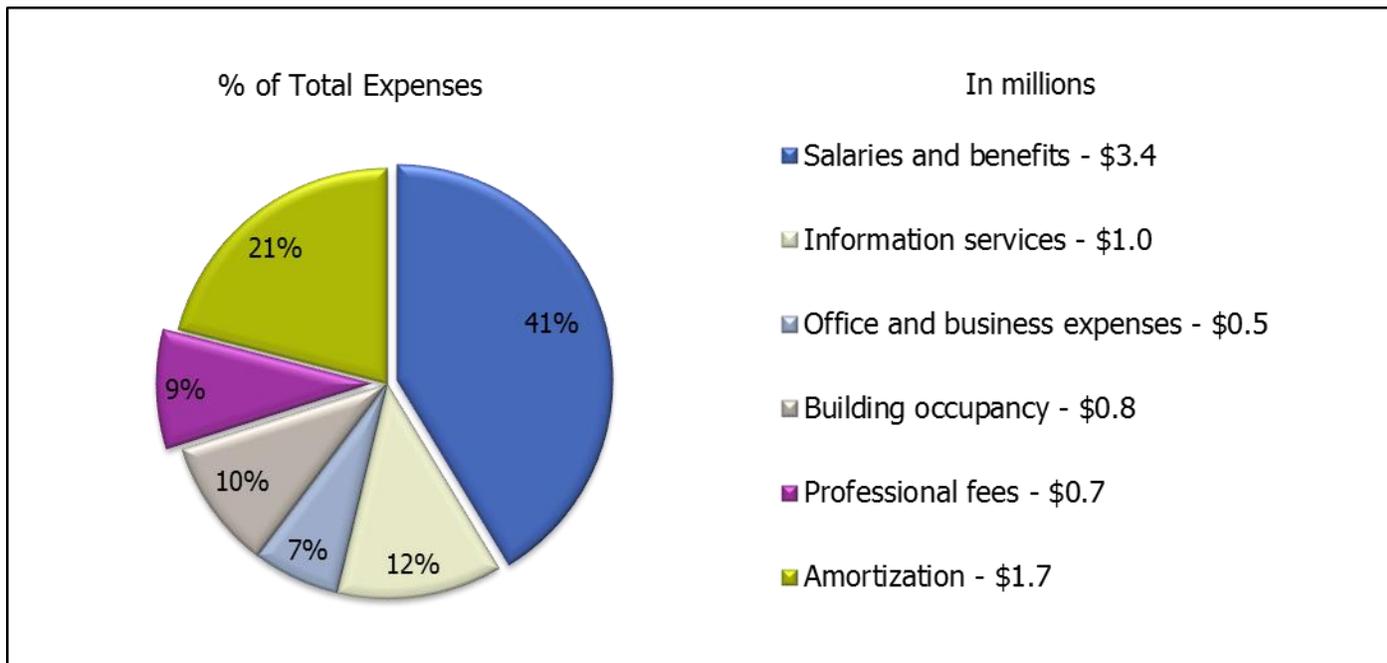
Revenue



Total revenue for the quarter was \$9.7 million, a decrease of 18.1% from the second quarter of this year. Revenue of \$9.7 million was unchanged when compared to the same period in the prior year. The third quarter of the fiscal year is a period of normal seasonal slowdown and is consistent with economic predictions for the provincial real estate market.

As a source of total revenue, Information Products increased by 3% and Examination Services decreased by 3% over the same period last year. The change in revenue mix was anticipated following the November 2015 adoption of a new regulated fee structure that reduced the number of fee categories and better aligned the level of effort with the fee for the service. Next quarter the allocation of revenue sources will be on the same basis year over year.

Expenses



Expenses before other income and expenses totalled \$8.2 million compared to \$6.9 million in the prior year. The increase of \$1.3 million is primarily due to an increase in salary and benefit expenses for annual wage increments for exempt employees and increases for employees in the collective bargaining unit which occurred on November 1st, for professional fees related to solution definition for Project ACE and increased amortization costs related to ParcelMap BC capital assets which have moved into production since last year.

Net Income and Comprehensive Income

Overall, net income and comprehensive income for the period was \$1.5 million, down from the \$2.8 million or 46% over the same period in the prior year. The key drivers were the increased operating costs reflecting the transition from build phase to operating phase for the ParcelMap BC project and the Project ACE work.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents of \$37.8 million and current investments of \$17.4 million total \$55.2 million on December 31, 2016 (September 30, 2016 - \$53.5 million) of which \$0.1 million (September 30, 2016 - \$0.3 million) consisted of cash collected on behalf of the Province of British Columbia and other parties. The cash owing to these parties was remitted on the following business day.

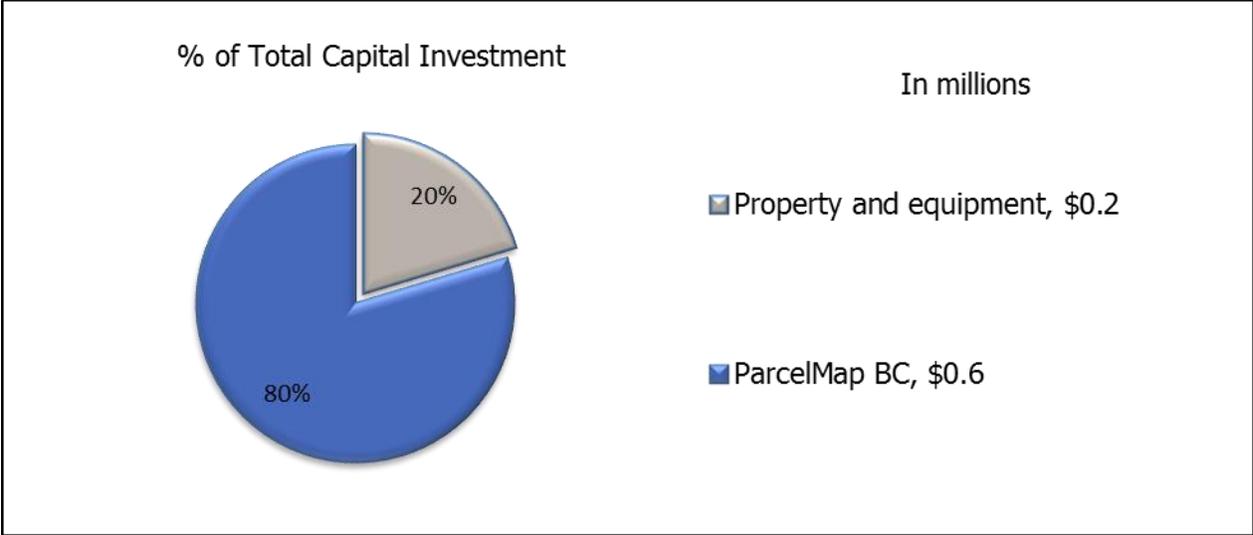
The remaining \$55.1 million (September 30, 2016 - \$53.2 million) represents cash, cash equivalents and current investments actually available to the LTSA at quarter end. Net LTSA liabilities (total liabilities less funds held for customers, trade and other receivable and prepaid expenses) totalled \$9.3 million at September 30 (September 30, 2016 - \$10.2 million) which,

when combined with the \$6.0 million (September 30, 2016 - \$6.0 million) allocated to the Assurance Fund, left cash available for reinvestment in the LTSA's business operations of \$39.8 million, an increase of \$2.7 million from September 30, 2016 and an increase of \$11.5 million from March 31, 2016.

Cash from Operating Activities

LTSA's primary source of cash is from operating activities. Cash flows from operating activities for the quarter were \$3.0 million in 2016 compared to \$4.3 million in 2015. As the LTSA business model realizes the capabilities and expected benefits of capital investments and is less labour intensive, the LTSA will continue to generate more cash from operations than in the past.

Capital Investments



During the third quarter total capital expenditures were \$0.8 million with over 80% for the ParcelMap BC project. This key capital project remains on schedule for completion in the late spring of 2017.

In this quarter, cadastral system assets with a total value of \$1.1 million moved into production.

Off-Balance Sheet Arrangements

The LTSA has no off-balance sheet arrangements.

Risk and Uncertainty

Economic Outlook

British Columbia's economic growth rate forecast by the Business Council of British Columbia in their July forecast is 2.7% for 2016 and 2.6% for 2017. In 2017, the BC Real Estate Association's forecast is for a 15% decrease in unit sales volumes from 2016 due to moderating economic conditions and policy changes related to new mortgage qualification requirements

and the increased property transfer tax. In the first three quarters of this fiscal year, the LTSA experienced a 8% increase in transaction volume over the same period in the prior year. The normal seasonal slowdown which traditionally begins in the third quarter each year reflects lower transaction volumes than experienced in the first two quarters of this fiscal year.

Critical Accounting Estimates

LTSA's financial statements are prepared in accordance with IFRS. These accounting principles require management to make certain estimates, assumptions and judgements. Management believes that these estimates, assumptions and judgements upon which we rely are reasonable based upon information available to us at the time. The estimates, assumptions and judgements made can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates and actual results, the financial statements of the LTSA would be affected.

Impairment of Long Lived Assets

The LTSA regularly reviews the carrying value of property and equipment and intangible assets and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the LTSA may be required to record impairment charges for these assets.

Please refer to the consolidated financial statements, which contain additional information regarding our accounting policies and other disclosures required under IFRS.