

Management's Discussion and Analysis

Of Financial Condition and Results of Operations
For the Quarter ended June 30, 2021

This management's discussion and analysis ("MD&A"), dated September 22, 2021, should be read in conjunction with the Land Title and Survey Authority of British Columbia ("LTSA") unaudited consolidated interim financial statements and related notes for the quarter ended June 30, 2021, (the "consolidated financial statements"). Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

For purposes of this discussion, the LTSA refers to the Land Title and Survey Authority of British Columbia and its wholly-owned subsidiaries, LandSure Systems Limited ("LandSure") and Autoprop Software Limited ("Autoprop").

This report contains forward-looking statements, including statements regarding LTSA 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.

Business Overview

The LTSA was formed in 2005 as a publicly accountable, statutory corporation responsible for operating the land title and survey systems in BC. These systems provide the foundation for all real property business and ownership in the province. The LTSA's services are primarily accessed electronically by legal professionals, land surveyors, certain statutory officers, realtors and other professionals who provide property-related services to their clients.

The Province of BC establishes the mandate, responsibilities and performance standards of the LTSA in the *Land Title and Survey Authority Act*, through an Operating Agreement with the Ministry of Forests, Lands, Natural Resource Operations and Rural Development and through a Master Services Agreement with the Ministry of Finance.

LTSA operations are funded through regulated fee revenue from land title and survey services, myLTSA services, and property information services provided to customers. Regulated fees are established in compliance with the requirements set out in the Operating Agreement. Administrative fees are set by the LTSA's Board of Directors. Fees for Land Owner Transparency Registry filings and searches and Condo and Strata Assignment

Integrity Register fees are set by the Board of Directors in consultation with the Ministry of Finance. Product fees for Autoprop, Identity Verification and eStrataHub are market based.

Highlights

Total revenue for the quarter was \$16.4 million, \$6.6 million or 68% higher than the prior year, our highest quarterly revenue since inception in 2005. Revenue increased primarily due to 75% higher statutory transaction volumes in the quarter, as well as our 1% fee increase which was effective April 1, 2021. Revenues and transaction volumes were cycling at the lower real estate sales volumes in the first quarter of 2020 due to COVID-19 restrictions. Revenue from the Land Owner Transparency Registry ("LOTR") filings which launched November 30, 2020 and LOTR search which launched April 30, 2021 contributed \$0.8 million of the revenue growth in the quarter.

Cost of revenue was \$7.4 million which was \$1.0 million or 15% higher than the prior year driven by higher salaries and benefits costs as well as higher amortization expense as a result of the launch of LOTR filing and search modules. Our operating margin for the quarter was 54.8%, higher than the prior year margin of 34.2% driven mainly by the strong revenue growth.

Total operating expenses for the quarter were \$3.9 million, \$0.7 million or 23% higher than in the prior year. We incurred higher salaries and benefits costs in the quarter, as well as higher professional service costs. We will continue to focus on controlling operating expenses to ensure that their growth is in line with our revenues.

Net income and comprehensive income was \$5.4 million, an increase of \$4.3 million or 366% from the same period last year. This increase was primarily due to significantly higher revenues, offset by higher cost of revenue and operating expenses, as well as \$0.5 million lower investment income.

We spent \$1.4 million on capital projects in the quarter, including \$0.5 million on completing the LOTR search module, which launched on April 30. We spent \$0.6 million on Project Echo, an internal project to increase automation and filing quality and \$0.2 million on the ASTRA modernization project.

Results

The following table sets forth certain consolidated statement of operations data, as well as consolidated statement of financial position data, expressed in thousands of dollars, as at June 30, 2021 and 2020.

Quarter ended June 30	2021	2020
Revenue:		
Examination services	\$8,294	\$4,652
Information products and subscriptions	5,414	3,595
Service fees	2,663	1,515
	16,371	9,762
Cost of revenue:		
Cost of examination services	5,268	4,400
Cost of information products and subscriptions	1,300	1,266
Cost of service fees	829	755
	7,397	6,421
Gross income	8,974	3,341
Operating expenses:		
Research and development	1,082	894
Policy and regulation	963	811
General and administrative	1,877	1,478
	3,922	3,183
Operating income	5,052	158
Other income (expenses):		
Lease interest	(112)	(130)
Bank charges and investment fees	(53)	(42)
Investment income	915	1,398
(Loss) on disposal of property and equipment	(2)	(12)
	748	1,214
Income and comprehensive income before income taxes	5,800	1,372
Income tax expense	385	210
Net income and comprehensive income	\$5,415	\$1,162
	June 30, 2021	March 31, 2021
Total assets	\$126,606	\$121,362
Total liabilities	\$22,493	\$22,664
Total non-current liabilities	\$9,521	\$10,052
Total equity	\$104,113	\$98,698

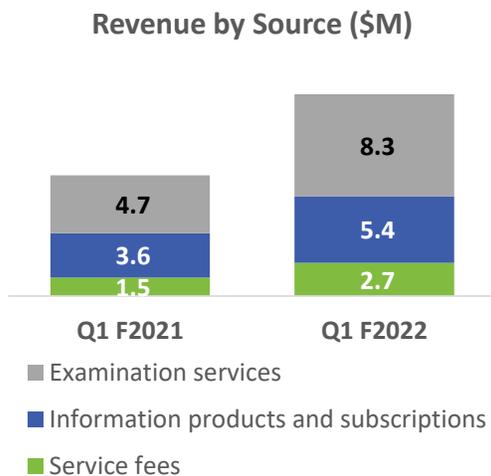
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

Quarter ended June 30	2021	2020
Revenue:		
Examination services	50.6%	47.7%
Information products and subscriptions	33.1%	36.8%
Service fees	16.3%	15.5%
	100.0%	100.0%
Cost of revenue:		
Cost of examination services	32.2%	45.1%
Cost of information products and subscriptions	7.9%	13.0%
Cost of service fees	5.1%	7.7%
	45.2%	65.8%
Gross income	54.8%	34.2%
Operating expenses:		
Research and development	6.6%	9.2%
Policy and regulation	5.9%	8.3%
General and administrative	11.4%	15.1%
	23.9%	32.6%
Operating income	30.9%	1.6%
Other income (expenses):		
Lease interest	(0.7%)	(1.4%)
Bank charges and investment fees	(0.3%)	(0.4%)
Investment income	5.6%	14.3%
(Loss) on disposal of property and equipment	(0.0%)	(0.1%)
	4.6%	12.4%
Income and comprehensive income before income taxes	35.5%	14.0%
Income tax expense	2.4%	2.1%
Net income and comprehensive income	33.1%	11.9%

Revenue

LTSA revenue sources consist of examination services to ensure that applications and plans are submitted in accordance with the rules and regulations of various provincial statutes and acts; information products which include title, document and plan images, certifications, document scanning, LOTR filing and search fees, and subscription services and service fees which are for electronic processing of land title and survey transactions through the myLTSA electronic portal.

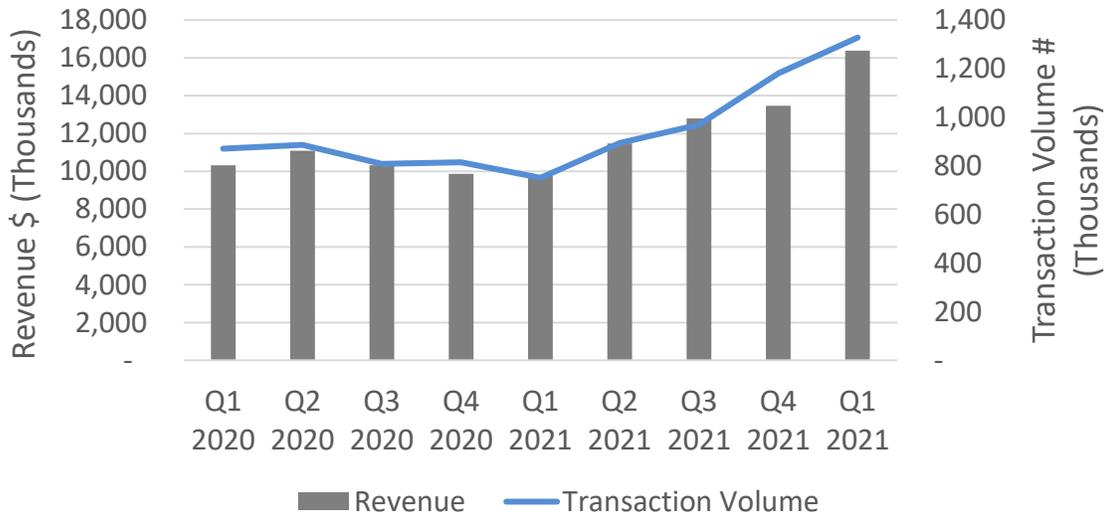
Revenue by Source



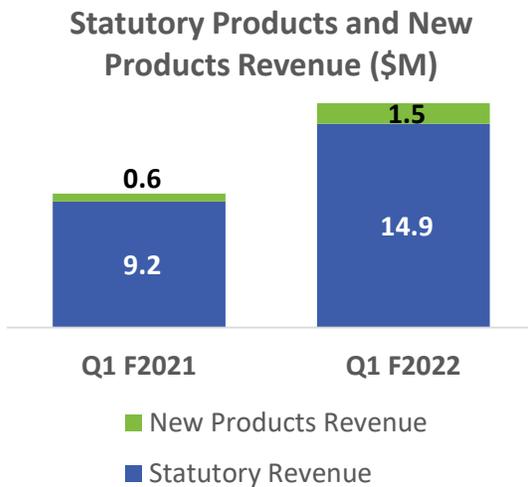
Total consolidated revenue for the quarter was \$16.4 million, \$6.6 million or 68% higher than the same period last year due to strong transaction volumes, the 1% fee increase effective April 1, 2021, and revenue from new products and services. Transaction volumes were 75% higher than last year due to both record volumes in 2021 as well as lower volume in the first quarter of 2020 due to the impact of COVID-19 restrictions on market activity. We experienced our highest monthly revenue since inception in 2005 in April, then surpassed that record revenue in May, and again in June.

Our first quarter revenue is our highest quarterly revenue recorded since inception. Despite record volumes in the last 6 months, we have managed to maintain processing time targets outlined in the Operating Agreement with the Province.

The chart below shows revenue and transaction volumes since 2016. On a historical basis, the impact of seasonality can be seen with the June and September quarters normally being much busier than the fall and winter, up until the 2020-2021 fiscal year. Prior to the 2020-2021 fiscal year and the market impacts from COVID-19, we have experienced a continued decline in transaction volumes since 2016. While the current market conditions continue to show strong transaction volumes, we do expect volumes to return to a long-term declining pattern.



The LTSA’s strategy of developing new sources of revenue to support customers with interests in land information continues to be successful with six new products launched over the last 36 months.

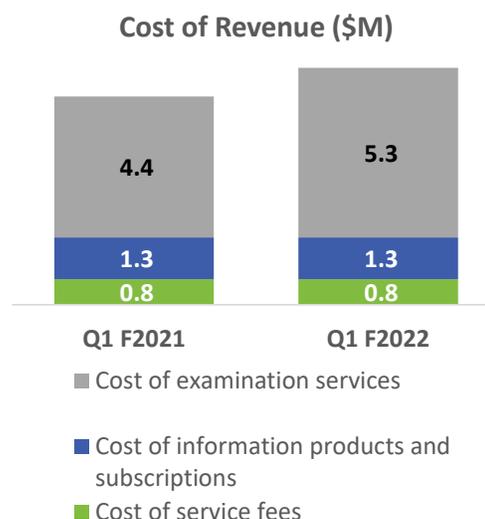


The filing module of LOTR launched in November 2020, the search module launched in April 2021 as well as associated fees earned \$0.8 million of revenue in the quarter. Autoprop, acquired in October 2018, earned \$0.4 million of revenue this quarter. The Condo and Strata Assignment Integrity Register (“CSAIR”), released in February 2019, earned revenue of \$0.2 million, the Property Tax Deferral service launched in May 2020 had revenue of \$0.1 million and Identity Verification, and eStrataHub which launched in June 2021 also generated revenue in the quarter.

Total new product revenue for the quarter was \$1.5 million, 158% higher than the prior year.

Cost of Revenue

Cost of revenue for the quarter was \$7.4 million, \$1.0 million or 15% higher than the prior year. The increase is driven by higher salaries and benefits costs as a result of the increased statutory transaction volumes, as well as higher amortization costs from the launch of LOTR.



Gross Income

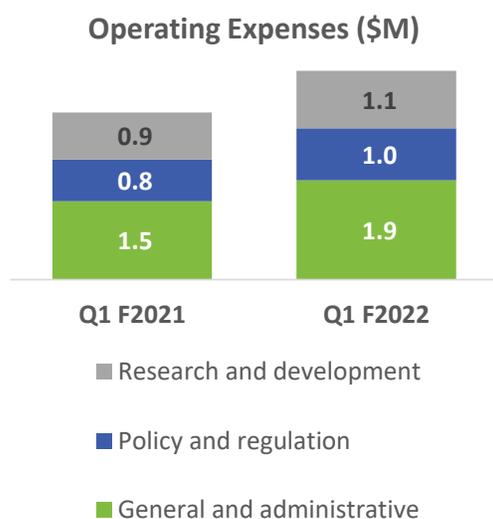
LTSA's gross income for the quarter was \$9.0 million representing a 54.8% operating margin, higher than the prior year margin of 34.2%. The gross margin by revenue category was as follows:

Gross Margins by Revenue Type

Quarter ended June 30	2021	2020
Total LTSA	54.8%	34.2%
Examination services	36.5%	5.4%
Information products and subscriptions	76.0%	64.8%
Service fees	68.9%	50.2%

Examination services margin increased due to strong transaction and revenue growth as well as the new revenue from LOTR, offset by increased amortization expense relating to LOTR. Information products and subscriptions margin increased due to higher revenue, offset by slightly higher cost of revenue in Autoprop. Service fees margin increased due to strong revenue growth. Automation in the quarter was 56%, compared to 57% in the first quarter of 2020. Automation was slightly lower than the first quarter of 2020 as a result of a large number of one-time transactions that were manually processed in the quarter. Removing these transactions, automation would have been 59%.

Operating Expenses



Operating expenses for the quarter were \$3.9 million, \$0.7 million or 23% greater than the prior year. This was due to increased salaries and benefits costs and higher professional service costs incurred for work including developing the First Nations Land Registry as well as digitizing historical records in advance of moving our Kamloops office.

Research and development costs were \$1.1 million, \$0.2 million or 21% higher than the same period last year. The increase was due to higher salaries and benefits costs as well as higher professional service costs from solution definition work for the First Nations Land Registry.

Policy and regulation costs were \$1.0 million, \$0.2 million or 19% higher than the prior year. The increase was primarily due to the resolution of an Assurance Fund claim in the first quarter of 2020. Removing this credit from the prior year, policy and regulation costs would have increased 6%.

General and administrative expenses were \$1.9 million, \$0.4 million or 27% greater than the same period last year. The increase is due to higher professional service costs and higher information technology and communication costs.

Operating Expenses as a % of Revenue	2021	2020
Total Operating Expenses	24.0%	32.6%
Research and development	6.6%	9.2%
Policy and regulation	5.9%	8.3%
General and administrative	11.5%	15.1%

Other Income (Expenses)

Investment income was \$0.9 million, \$0.5 million or 35% lower than prior year. The decrease is due the strong portfolio performance in the prior year as stock markets recovered from COVID-19 impacts. Our investment portfolio is conservative with 79% of our investments held in fixed income securities and money market funds at June 30, 2021 and earned a rate of return of 1.5% in the quarter compared to 2.6% in the prior year.

Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled \$5.4 million or 33.1% of revenue, \$4.3 million or 366% higher than the prior year. The increase was due to \$5.0 million higher operating income offset by \$0.5 million lower investment income and \$0.2 million higher income tax expense.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash, cash equivalents, and short-term investments balances were \$80.2 million on June 30, 2021 (March 31, 2021: \$74.0 million), of which \$0.4 million (March 31, 2021: \$0.3 million) consisted of cash collected on behalf of the Province of BC and other parties. The cash owing to these parties was remitted the following business day.

The remaining \$79.8 million (March 31, 2020: \$73.7 million) represents cash, cash equivalents, and short-term investments readily available to the LTSA. Net LTSA current liabilities (total current liabilities less funds held for customers, trade and other receivables and prepaid expenses) totalled \$7.7 million (March 31, 2020: \$7.3 million), which, when combined with the \$6.0 million (March 31, 2020: \$6.0 million) allocated to the Assurance Fund, leaves \$66.1 million (March 31, 2020: \$60.4 million) of cash available for reinvestment in LTSA's business.

Cash Flow from Operating Activities

The LTSA's primary source of cash derives from operating activities. Cash from operations for the quarter totalled \$8.0 million, \$5.6 million higher than the prior year driven by 68% revenue growth.

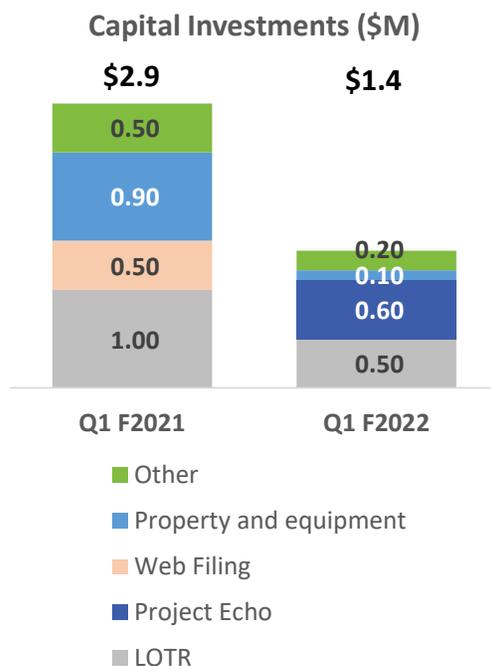
Cash Flow from Financing Activities

LTSA repaid \$0.5 million for lease obligations and incurred \$0.1 million of related lease interest in the quarter. The repayment of lease obligations and lease interest are consistent with the prior year.

Cash Flow from Investing Activities

LTSA transfers excess cash into an investment portfolio that is governed by our investment policy. We invested net \$3.5 million of cash in marketable securities during the quarter. Cash was also used to purchase property and equipment and invest in software systems that will either enhance operations or provide additional service offerings to our customers. \$1.2 million of cash was invested in capital projects during the quarter.

Capital Investments



The first phase of LOTR, which provides filing services to the registry went live on November 30, 2020, and the second phase of LOTR, which provides for a search function to the registry went live April 30, 2021. Project Echo is an internal project to increase automation and reduce defects. The project is expected to total \$1.9 million over the next year. eStrataHub, an online strata document ordering platform serving thousands of real estate agents, lawyers and notaries, became available on myLTSA in June 2021.

Assurance Fund

The Assurance Fund has remained at \$6.0 million since March 31, 2013 by resolution of the Board of Directors. The result of an independent actuarial analysis of the program in 2017 and the small number of Assurance Fund claims supports the LTSA's belief that this continues to be an appropriate fund balance. The fund is assessed on an annual basis and adjusted to reflect changing market conditions as well as transaction volumes.

Off-Balance Sheet Arrangements

The LTSA has no off-balance sheet arrangements.

Subsequent Event

On July 30, 2021, LTSA's wholly-owned subsidiary, LandSure Systems Ltd. acquired the land administration business from MDA Systems Ltd. for \$1.9 million cash pursuant to an agreement dated July 21, 2021. The acquisition qualifies as a business combination and will be accounted for using the acquisition method of accounting. We are in the process of determining the fair value of the assets and liabilities acquired, however the purchased assets consist mainly of an assembled workforce, and the majority of the purchase price will be allocated to goodwill.

Outlook

We continue to execute on our strategy of developing new products and services for our customers with interests in land information and as a result we have launched two new products in the quarter: the LOTR search module which was built for the Province of British Columbia and eStrataHub, an online strata document ordering platform serving thousands of real estate agents, lawyers and notaries. We also continue to improve the Autoprop service for increasing numbers of real estate professionals in British Columbia.

In the last 6 months we have experienced unprecedented transaction volumes, resulting in record revenues in our fourth quarter of 2021 and again in the current quarter. While it is difficult to accurately assess the continuing impact of COVID-19 on the housing market, we have noted that activity subsequent to quarter end is slowing down, and we anticipate returning to historical volumes in the second half of the year.

The LTSA currently has a return to the office plan for the fall of 2021, which will allow for a combination of in-office work and remote work, should provincial safety guidelines allow. This hybrid workplace approach was also agreed to with the LTSA bargaining unit employees through our recent Collective Agreement, who will be allowed to work from home up to three days a week, if their role allows.

Risk and Uncertainty

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.

Public Service Pension Plan

LTSA employees are members of the Public Service Pension Plan (the "Plan"), a defined benefit, multi-employer pension plan. The most recent Plan valuation, as at March 31, 2020, indicated a funding surplus of \$2.7 billion in the Basic Account. The next plan valuation will be assessed at March 31, 2023 with results available in early 2024.

LandSure Systems and Autoprop employees are members of a group registered retirement savings plan to which the company contributes.

Impairment of Long Lived Assets

The LTSA regularly reviews the carrying value of property, 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. There are no impairment adjustments at this time.

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