

Management's Discussion and Analysis

Of Financial Condition and Results of Operations
For the Quarter ended December 31, 2022

This management's discussion and analysis ("MD&A"), dated February 22, 2023, 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 December 31, 2022, (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 thousands of 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 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. 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 ("LOTR") 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, Tax Certificates Online, Identity Verification and eStrataHub are market based. Consulting services provided to the Ministry of Transportation and the First Nations Land Advisory Board are based on time incurred at contracted rates. The Property Tax Deferment service provided to the Ministry of Finance is billed based on an annual subscription fee.

Highlights

Total revenue for the quarter was \$13.6 million, \$0.6 million or 4% lower than the prior year. Revenue decreased primarily due to 20% lower land title transaction volumes in the quarter offset by fee increases effective April 1 and May 1, 2022 and higher LOTR Transparency Report filings prior to the November 30, 2022 filing deadline.

Cost of revenue was \$8.4 million which was \$0.5 million or 7% higher than the prior year driven by higher product technology sustainment costs as well as costs to support additional new business revenues. Our operating margin for the quarter was 38.4%, lower than the prior year margin of 44.5% driven mainly by lower revenue.

Total operating expenses for the quarter were \$5.2 million, \$0.6 million or 13% higher than the prior year. Operating expenses increased as a result of a reclassification of software systems under development to research and development costs due to a change in project approach. We will continue to monitor costs in a declining transaction volume and revenue environment.

Net income and comprehensive income was \$2.1 million, a decrease of \$0.1 million from the same period last year. This decrease was due to \$1.7 million lower operating income offset by \$1.6 million higher investment income due to market performance in the quarter. The fixed nature of our costs allows operating and net income to increase with increases in revenue and similarly causes lower net income in lower revenue years.

We spent \$1.5 million on capital projects in the quarter, including \$0.4 million on Project Echo, an internal project to increase automation and filing quality, \$0.5 million on the Survey Plan Services Modernization project, a new platform that will streamline the submission of survey plans, \$0.5 million on the Application Platform Modernization project which will modernize the technology foundation and leverage the recent transition to cloud-based services and infrastructure and \$0.1 million on facilities improvements.

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, for the three months ended December 31, 2022 and 2021.

Quarter ended December 31	2022	2021
Revenue:		
Examination services	\$ 7,470	\$ 7,313
Information products and subscriptions	4,041	4,629
Service fees	2,098	2,221
	13,609	14,163
Cost of revenue:		
Cost of examination services	5,948	5,580
Cost of information products and subscriptions	1,466	1,360
Cost of service fees	963	916
	8,377	7,856
Gross income	5,232	6,307
Operating expenses:		
Research and development	1,788	1,372
Policy and regulation	1,099	1,114
General and administrative	2,285	2,085
	5,172	4,571
Operating income	60	1,736
Other income (expenses):		
Lease interest	(85)	(101)
Bank charges and investment fees	(67)	(59)
Investment income	2,474	827
Loss on disposal of property and equipment	(26)	(1)
	2,296	666
Income before income taxes	2,356	2,402
Income tax expense	244	215
Net income and comprehensive income	\$ 2,112	\$ 2,187
	December 31, 2022	March 31, 2022
Total assets	\$134,985	\$133,734
Total liabilities	\$20,556	\$22,834
Total non-current liabilities	\$6,851	\$8,471
Total equity	\$114,429	\$110,900

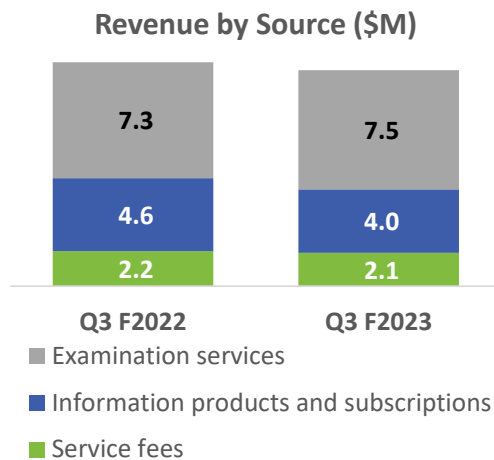
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

Quarter ended December 31	2022	2021
Revenue:		
Examination services	54.9%	51.6%
Information products and subscriptions	29.7%	32.7%
Service fees	15.4%	15.7%
	100.0%	100.0%
Cost of revenue:		
Cost of examination services	43.7%	39.4%
Cost of information products and subscriptions	10.8%	9.6%
Cost of service fees	7.1%	6.5%
	61.6%	55.5%
Gross income	38.4%	44.5%
Operating expenses:		
Research and development	13.1%	9.7%
Policy and regulation	8.1%	7.9%
General and administrative	16.8%	14.7%
	38.0%	32.3%
Operating income	0.4%	12.2%
Other income (expenses):		
Lease interest	(0.6%)	(0.7%)
Bank charges and investment fees	(0.5%)	(0.4%)
Investment income	18.2%	5.8%
Loss on disposal of property and equipment	(0.2%)	0.0%
	16.9%	4.7%
Income and comprehensive income before income taxes	17.3%	16.9%
Income tax expense	1.8%	1.5%
Net income and comprehensive income	15.5%	15.4%

Revenue

LTSA revenue sources consist of examination services to ensure that applications and plans and LOTR filings 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 search fees, and property information subscription services and service fees which are for electronic processing of land title and survey transactions through the myLTSA electronic portal, subscription revenue from the Property Tax Deferral service as well as consulting fees for developing the First Nations National Land Registry, and consulting fees with the Ministry of Transportation.

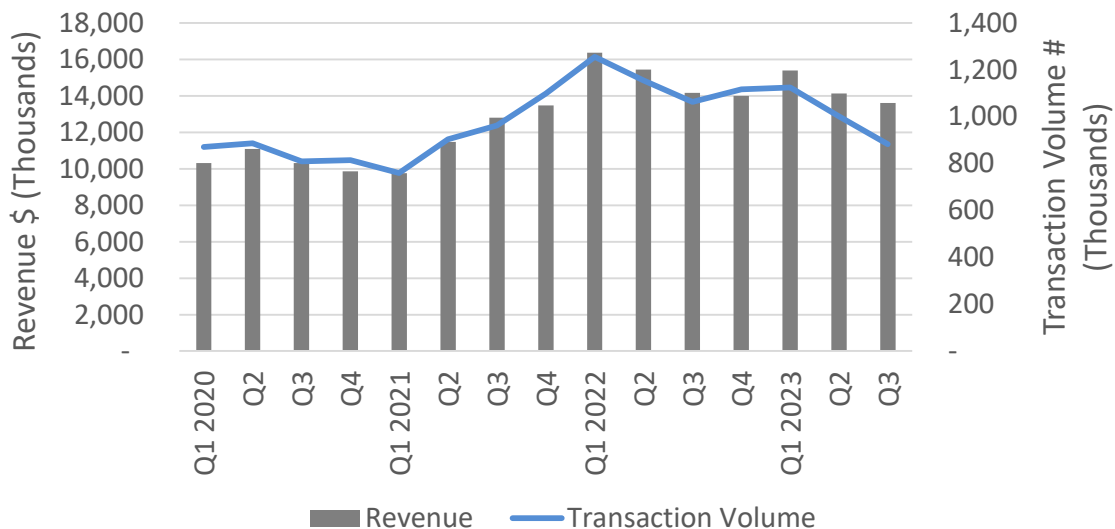
Revenue by Source



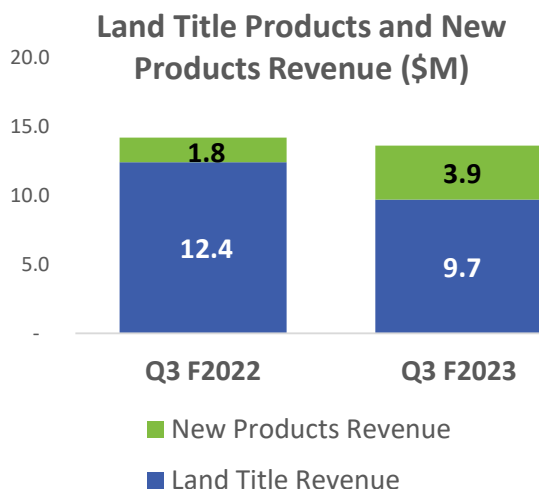
Total consolidated revenue for the quarter was \$13.6 million, \$0.6 million or 4% lower than last year due to lower land title volumes offset by the 3% land title fee increase effective April 1, 2022, LOTR fee increases effective May 1, 2022 and revenue from new products and services, including higher LOTR revenue from Section 15 Transparency Report filings prior to the November 30, 2022 filing deadline.

Our third quarter revenue was helped by a one-time bump from LOTR filing revenue, however we have noted land title volumes have continued to decline, and have now returned to pre-COVID levels, with land title transaction volumes 20% lower than last year.

The chart below shows revenue and transaction volumes since April 2019. 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 had experienced a continued decline in transaction volumes since 2016, and we expect to return to that 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 eight new products or services launched over the last 48 months.

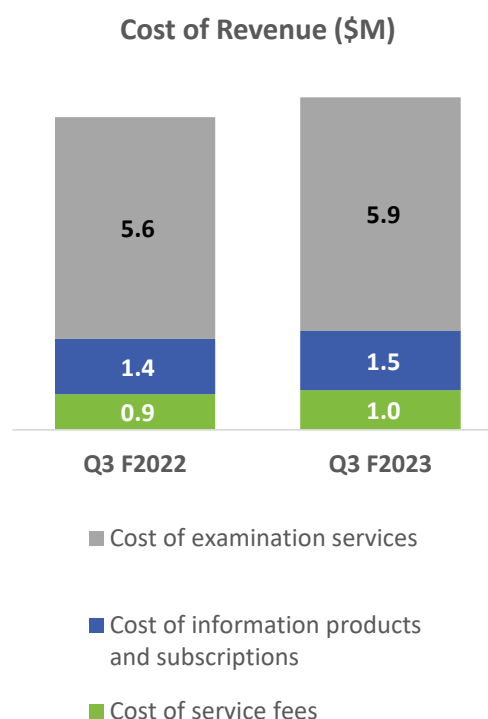


The filing module of LOTR launched in November 2020 and the search module launched in April 2021. LOTR filing and search revenue as well as associated fees earned \$3.0 million of revenue in the quarter. Autoprop, acquired in October 2018, earned \$0.4 million of revenue. The Condo and Strata Assignment Integrity Register ("CSAIR"), released in February 2019, earned revenue of \$0.1 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.

Service revenue for assistance in developing the First Nations National Land Registry, which began in April 2022 totaled \$0.2 million in the quarter. Total new product revenue for the quarter was \$3.9 million, 122% higher than the prior year and represents 29% of total revenues.

Cost of Revenue

Cost of revenue was \$8.4 million, \$0.5 million or 7% higher than the prior year. The increase is driven by higher sustainment of information technology systems costs to support existing and new products and services.



Gross Income

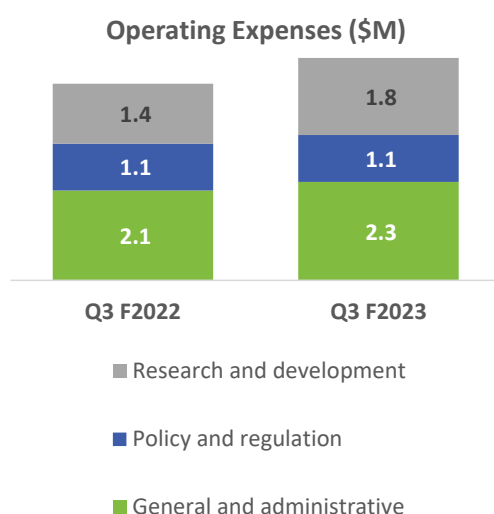
LTSA's gross income for the quarter was \$5.2 million representing a 38.4% operating margin, lower than the prior year margin of 44.5%. The gross margin by revenue category was as follows:

Gross Margins by Revenue Type

Quarter ended December 31	2022	2021
Total LTSA	38.4%	44.5%
Examination services	20.4%	23.7%
Information products and subscriptions	63.7%	70.6%
Service fees	54.1%	58.8%

Examination services, information services and service fees margin decreased due to lower land title transaction volumes compared to the prior year. Automated examination of applications was 61.1% in the quarter, compared to 58.0% in the prior year. The increase is a result of automation improvements brought on by Project Echo, which has also helped reduce the 3 month defect rate to 4.3% from 6.3% in the third quarter of the prior year.

Operating Expenses



Operating expenses for the quarter were \$5.2 million, \$0.6 million or 13% higher than the prior year. This was due to higher research and development as a result of software systems under development costs reclassified to expense in the quarter. Excluding this adjustment, operating expenses would have decreased \$0.2 million or 4%.

Research and development costs were \$1.8 million, \$0.4 million or 30% higher than the same period last year. The increase was due to Survey Plan Services Modernization capitalized development costs charged to expense due to a change in project approach.

Policy and regulation costs were \$1.1 million, \$0.1 million or 1% lower than the prior year. The decrease was primarily due a small amount of one-time historic records moving costs incurred in the prior year.

General and administrative expenses were \$2.3 million, \$0.2 million or 10% higher than the same period last year. The increase is due to higher travel costs, technology costs and Board of Directors fees.

Operating Expenses as a % of Revenue	2022	2021
Total Operating Expenses	38.0%	32.3%
Research and development	13.1%	9.7%
Policy and regulation	8.1%	7.9%
General and administrative	16.8%	14.7%

Other Income (Expenses)

Investment income was \$2.5 million compared to \$0.8 million in the prior year. Our investment portfolio is conservative with 70% of our investments held in fixed income securities and money market funds at December 31, 2022 and earned a rate of return of 3.3% in the quarter compared to a return of 1.2% in the prior year.

Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled of \$2.1 million or 15.5% of revenue, \$0.1 million lower than the prior year. The decrease was due to \$1.7 million lower operating income offset by \$1.6 million higher investment income. The fixed nature of our costs allow operating and net income to increase with increases in revenue and similarly causes lower net income in lower revenue years. This can be seen in the current quarter results where declining revenues would have led to a net loss position if investment income were lower.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash, cash equivalents, and short-term investments balances were \$89.5 million on December 31, 2022 (March 31, 2022: \$88.6 million), of which \$0.1 million (March 31, 2022: \$0.4 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 \$89.4 million (March 31, 2022: \$88.2 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 \$7.4 million (March 31, 2022: \$8.4 million), which, when combined with the \$6.0 million (March 31, 2022: \$6.0 million) allocated to the Assurance Fund, leaves \$76.0 million (March 31, 2022: \$73.8 million) of cash available for reinvestment in LTSA's business. As a result of declining revenues, cash from operating activities are expected to decline in the fourth quarter as well as fiscal 2024 and we expect intangible asset investment programs will be funded in part from retained cash reserves.

Cash Flow from Operating Activities

The LTSA's primary source of cash derives from operating activities. Cash from operations for the quarter totalled \$4.8 million, \$0.5 million lower due to the decline in revenue as well as higher cost of revenue and operating expenses in the quarter.

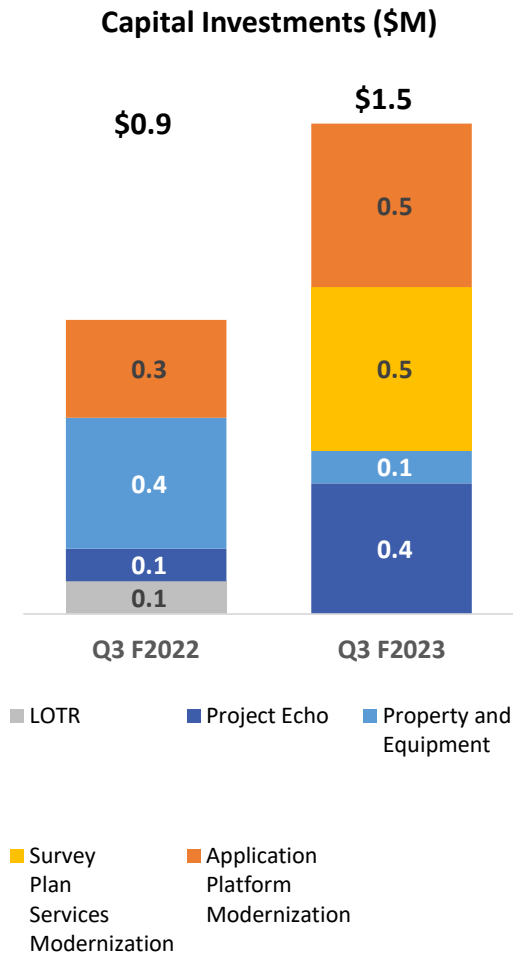
Cash Flow from Financing Activities

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 \$2.7 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. \$1.5 million of cash was invested in capital projects, offset by a \$0.8 million non-cash adjustment to reflect expensed development costs.

Capital Investments



Project Echo is an internal project to increase automation and reduce defects, Application Platform Modernization is a new project to build a new underlying application platform and Survey Plan Services Modernization is a project that will streamline the submission of survey plans.

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. An independent actuarial analysis of the fund balance is performed every five years and is currently underway.

Off-Balance Sheet Arrangements

The LTSA has no off-balance sheet arrangements.

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 started one new service in the year: assisting the First Nations Lands Advisory Board with designing a First Nations National Land Registry. We also intend to improve the Autoprop service for increasing numbers of real estate professionals in British Columbia and will continue to develop additional new lines of business.

We are continuing to look at adding new offerings and services, either through internal development or through looking at external opportunities. We are also focusing resources in fiscal year 2023 and 2024 towards updating a number of our legacy systems to allow for increased resiliency and more flexibility when making updates or adding new modules, will continue to look at system and other changes that will increase automation and reduce defects and will also modernize our Survey Plan systems, creating a unified platform for survey plan submissions, plans, forms and datasets which will also reduce defects and errors in plans.

Our third quarter revenue decline was reduced by higher one-time LOTR filing volumes and revenue, however land title volumes continued to see double-digit declines, and volumes are now at levels experienced before the COVID pandemic. We anticipate continued declines in the fourth quarter and into fiscal 2023-2024, and are looking at moderating our expenses in this declining revenue environment.

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 and Goodwill

The LTSA regularly reviews the carrying value of property, equipment, intangible assets and goodwill, 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.