

TRAKOPOLIS[®]

EVOLVING VISIBILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018 and 2017.

MESSAGE TO SHAREHOLDERS

Highlights

\$3.6 million

in subscription revenue for the year to date, representing a 28% increase compared to the prior year

**+22%
Subscriber
Base**

in the current quarter, compared to the same quarter in prior period.

Dear Shareholders,

We are pleased to present our results for our third quarter ending September 30, 2018. Our net loss improved by \$382 thousand or 32% from Q3 2017 and our EBITDA loss also improved by 25% as we continue to focus on both revenue and subscriber growth as well as optimizing our cost structure as we strive for profitability.

Our total number of subscribers continues to increase across our major verticals. Our Monthly Recurring Revenue (“MRR”) declined slightly from the prior quarter due to a select few enterprise customers opting to hibernate assets, reducing average revenue per unit. Despite these hibernations, our year over year subscription revenue growth is 28%.

Hibernations are typically exercised for temporary periods and are reactivated upon request, but we are pleased to see these hibernations are coming back online, albeit modestly.

Our focus on advanced analytics through Microsoft Power BI continues to be well received by our customers who embrace digital transformation and want deeper insights to operational data. This is a pleasing trend and aligns with our market predictions.

During the quarter the Company accelerated its partnership with KeepTruckin’ which included a direct integration of their hardware into Trakopolis. This dramatically simplifies the combined solution and boosts the functionality for end users.

This partnership provides Trakopolis with the industry leading electronic logging device (“ELD”) solution that complements our current product offering in the transportation vertical for small and medium sized businesses and for enterprise customers.

Going Forward

Our stated goal of hitting 20,000 subscribers by the end of fiscal 2018 is attainable but very dependant on the timing of a successful enterprise win which has eluded us so far this year. We believe our product pivot in ELD was short term pain for long term gain but that is behind us now.

Given that our products and channel partners are established we will direct sales efforts to the maturing funnel opportunities. Operationally we are taking a sharpened approach to profitability given the continued progression of enterprise opportunities, return of ELD sales velocity and product demand from new and existing customers.

The Company has never been busier with pilots, partnerships, process improvements, exciting integrations, product enhancements, re-launches and onboarding and training our growing customer and subscriber base. We are confident these efforts will translate into material results in the near term.

Please review our interim financial statements MD&A for further financial analysis and information.

Thank-you for your continued support and be sure to download our recently updated corporate presentation to learn more about our growth story by clicking the link below.

[Click here to view the presentation](#)



Sincerely,
Brent Moore

Brent Moore
President & Chief Executive Officer
Trakopolis IoT Corp

General

This Management's Discussion and Analysis ("MD&A") contains important information about our business and our performance for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with the consolidated interim financial statements and accompanying notes.

All dollar amounts within this MD&A are presented in Canadian dollars unless otherwise stated. All percentage changes are calculated using the rounded numbers as they appear in the tables. This MD&A is current as of November 28, 2018 and was approved by the Board of Directors on that date. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more information. We, us, our, Trakopolis and the Company refer to Trakopolis IoT Corp. and its subsidiaries.

Non-GAAP Financial Measures

This MD&A contains references to certain non-GAAP financial performance measures such as earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted EBITDA, subscribers and recurring revenue, which do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities. These non-GAAP financial performance measures should be viewed as a supplement to, not a substitute for, the Company's results of operations reported under IFRS. See "Non-GAAP Measures".

Business Overview

Trakopolis IoT Corp., through its wholly owned subsidiary Trakopolis SaaS Corp., has developed a proprietary Software as a Service ("SaaS") solution called Trakopolis™. Trakopolis provides business intelligence to any organization that requires the location, status and relevant data on corporate assets such as equipment, devices, vehicles and people.

Trakopolis is SaaS company with proprietary, cloud-based solutions for real-time tracking, data analysis and management of corporate assets such as equipment, devices, vehicles and workers. The asset management platform works across a variety of networks and devices and we have a diversified revenue stream from many verticals including oil and gas, forestry, transportation, construction, rentals, urban services, mining and several others. Trakopolis enables the Internet of Things ("IoT") for end users and equipment manufacturers with our open, agnostic, enterprise grade platform. We differentiate ourselves primarily through our open collaborative technology strategy but also in our sales approach, contract flexibility and client care.

Trakopolis combines the IoT, telematics and a powerful Application Program Interface ("API") to create intuitive dashboards that give insight into core business operations such as fleet management, equipment utilization, maintenance and repair scheduling and worker health and safety.

The Trakopolis solution is an enterprise grade IoT platform which encompasses the following key enterprise features:



GIS Overlays
(Geographic Info Systems)



Microsoft Power BI



Custom IoT



API
(Application Program Interface)



Multi OS Mobile



BYOND
(Bring your own network and device)



Infrastructure & Compliance



Azure

API. The Trakopolis platform was designed for fast and efficient data connection with third party platforms. Available real-time API connections allow customers the stable and flexible options they need for interfacing with other existing data systems. The Trakopolis platform is an advanced and open API, as well as comprehensive reporting and alerting infrastructure, allowing for custom development projects with enterprise clients and providing a customized experience with general configuration within Trakopolis.

Cloud-based. The hosting environment for Trakopolis was determined based on the overall quality of many cloud platform features. The Microsoft Azure Hosting provides Trakopolis customers with the security, scalability and performance that is critical for an enterprise level asset tracking system.

Geographic Information Systems (“GIS”). Trakopolis has licensed datasets from GDM Pipelines for mapping oil and gas pipelines, wells, facilities, and rig roads. API integration with Google Maps enables our customers' GIS data to be overlaid, so that they can visualize equipment and personnel in remote locations with cell technology, or 'off-grid' using satellite.

Power Business Intelligence from Microsoft. Power Business Intelligence (“Power BI”) is Microsoft's flagship analytics tool, designed to organize large data sets. Trakopolis taps into Power BI, and the Azure cloud platform, to create customized reports and predictive analysis from very large volumes of data.

Sensor Reporting and Custom Alerts. Trakopolis integrates multiple sensor types to deliver a full picture of a business process. Aside from conventional telematics, such as speed, direction of travel and engine diagnostics such as power surges and switches, Trakopolis can accommodate temperature, pressure, CO₂, smoke and other data. Any piece of data can be tagged for an alert, so that events such as speeding, excessive idle time, or geofence transgression can be monitored in real-time. Trakopolis can send alerts via email or text.

We believe that large enterprise customers represent the greatest market opportunity for the Company as the enterprise market is under-served. Our technology strategy targets enterprises who need greater functionality, security, analytics, configurability, integration and ability to include customized functionality. The Company has expanded our enterprise funnel across our entire product portfolio including opportunities that underscore our competitive and strategic focus into the IoT.

The Company sells through direct and channel efforts with partners such as Microsoft, Bell, Telus, and Honeywell who engage in lead generation and product collaboration. Channel enablement and expansion is a key strategic focus along with efforts to find additional large channel partners or value-added resellers.

Q3 Operational Highlights

The following were key highlights in Q3 2018:

Partner and Product Expansion – Trakopolis' partnership with electronic logging device (“ELD”) provider Keep Truckin expanded through the third quarter with the commitment from both companies to complete a fully integrated solution. This solution provides end users with extended functionality which provides crucial insights into business operations. The ability to collaborate with other companies to extend solution offerings to the market through partnerships and integrated products highlights a core strategic element of the Trakopolis platform.

We aim to leverage the ELD mandate and the subsequent market demand to increase market penetration and then expand the customer opportunity across the full Trakopolis product and solution offering.



TRAKOPOLIS IOT CORP.

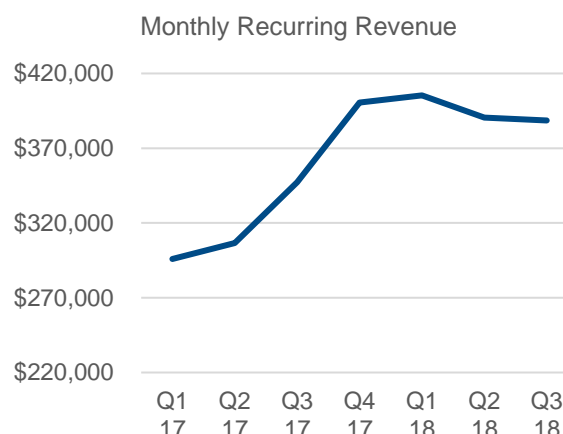
Managements' Discussion and Analysis

Subscriber Growth – We experienced continued subscriber growth through the third quarter which was primarily derived from the small-mid size market. Increasing the subscriber base is a core performance metric that will ultimately lead to higher monthly recurring revenue. Our subscriber base is diversified across industry verticals and represents a significant opportunity to expand within it. Initial orders from new customers provide exciting opportunity to expand into enterprise grade opportunities.

Key Metrics

The Company considers subscriber growth, monthly recurring subscription revenue (“MRR”), average revenue per unit (“ARPU”) and enterprise sales as key metrics in evaluating performance.

Quarter	17-Mar	17-Jun	17-Sep	17-Dec	18-Mar	18-Jun	18-Sep
# Subscribers	12,466	12,788	14,133	15,545	16,022	16,888	17,256
Monthly Recurring Revenue	\$295,921	\$306,595	\$347,296	\$400,466	\$406,620	\$390,498	\$388,644
Average Revenue per Unit	\$23.74	\$23.98	\$24.57	\$25.76	\$25.30	\$23.12	\$22.52



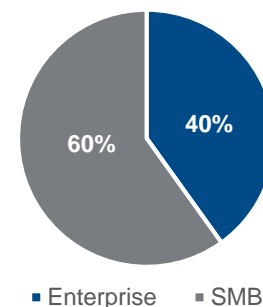
MRR declined from the prior period due the following factors:

- 1) Higher than normal hibernations which carries over from the second quarter and is derived from a select few enterprise customers. Hibernation is a feature offered to enterprises in verticals with business volatility such as rentals and leasing and project-based demand. Certain customers are offered hibernation rates that can be elected when assets are inactive for a temporary period and thus not a cancellation.
- 2) Increase sales through channel partners at wholesale pricing. Channel partners represent significant lead generation and sales reach and a goal for 2018 was to increase channel activity. As we build more momentum with channel partners and increase activity with target customer profiles, we believe that we will reach an inflexion point whereby the reduced ARPU is neutralized through subscriber growth.

Enterprise Subscribers

Enterprise customers represent an important market opportunity for Trakopolis and the product offering is built as an enterprise grade platform. Core to the Company’s growth strategy is penetrating the enterprise segment across multiple verticals. Our channel partners and strategic partnerships complement our focus on enterprise. A comparison of enterprise subscribers versus subscribers in small and medium sized businesses (“SMB”) is represented in the following chart:

Number of Subscribers



Financial Summary

(in thousands)	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change	Change	2018	2017	Change	Change
	(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(\$)	(%)
Revenue	1,547	4,630	(3,083)	-67%	4,739	7,678	(2,939)	-38%
Cost of sales	625	3,865	(3,240)	-84%	2,015	5,338	(3,323)	-62%
Gross profit	921	765	156	20%	2,724	2,340	384	16%
Gross Margin	60%	17%		43%	57%	30%		27%
Net loss	(810)	(1,192)	382	-32%	(3,185)	(3,179)	(6)	0%
EBITDA ¹	(759)	(1,013)	254	-25%	(2,453)	(2,465)	12	0%
Adjusted EBITDA ¹	(676)	(846)	170	-20%	(2,189)	(1,910)	(279)	15%
Share Capital	25,923	25,859			25,923	25,859		
Total Assets	2,282	7,203			2,282	7,203		
Total Liabilities	4,357	6,164			4,357	6,164		

¹ Non-IFRS financial measures are defined in the Non-GAAP Measures section.

Three months ended September 30, 2018 vs 2017

The Company generated revenue of \$1.5 million for the three months ended September 30, 2018, a \$3.1 million decrease from the same period in 2017. This decrease year over year was due to the impact of a significant enterprise sale in Q3 2017. When adjusted for the enterprise sale in 2017, revenue in October 2018 was consistent with the prior year period. The Company experiences revenue volatility primarily in one-time hardware sales.

The Company focuses on both the SMB and Enterprise market with the latter representing a slower, more unpredictable sales cycle.

In spite of the reduction in revenues for the quarter, gross profit improved by \$156,000 or 20% compared to the prior year period. The gross margin percentage improved by 43% in the quarter compared to the prior year primarily due to the revenue mix between hardware and subscription sales caused by the impact of the enterprise sale in Q3 2017. Gross margin on subscription revenue has increased year over year and quarter over quarter as the Company continues to grow its subscriber base and drives economies of scale and optimized data management.

The Company recorded a net loss of \$810 thousand for the three months ended September 30, 2018, a decreased loss of \$382 thousand compared to the same period in 2017. The change in net loss is primarily a result of increased gross margin and lower operating expenses.

EBITDA was negative \$759 thousand for the three months ended September 30, 2018, an increase of \$254 thousand compared to the same period in 2017. The increase is largely a result of increased margin and decreased operating expenses.

Nine months ended September 30, 2018 vs 2017

The Company generated revenue of \$4.7 million for the nine months ended September 30, 2018, a \$2.9 million decrease from the same period in 2017. Total revenue decreased compared to the prior year period due to the recognition of a significant enterprise sale in 2017.

In spite of the reduction in revenues for the period, gross profit improved by \$384,000 or 16% compared to the prior year period. The gross margin percentage improved by 27% in the period compared to the prior year due to the sales mix between hardware and subscription revenue. Subscription gross margin has increased throughout 2018 due to growth in the subscriber base, economies of scale and improved data management.

The Company recorded a net loss of \$3.2 million for the nine months ended September 30, 2018, an increased loss of \$6 thousand compared to the same period in 2017. Whilst the nine months ended September 2017 realized significantly higher revenue due to the enterprise sale, the revenue mix and lower margin associated with the hardware sale component resulted in lower than typical gross margin.

The negative variance for the nine months ending September 30, 2018 is also a result of increased operating expenses which is largely attributable to Scientific Research and Experimental Development ("SR&ED") rebates received in the prior period of \$402 thousand which was offset against expenses. The Company no longer receives cash SR&ED rebates as only private companies qualify, however is still eligible for SR&ED tax credits. In addition, the repayment of the previous long-term debt facility resulted in the acceleration of the amortization of debt issuance costs which are recognized as interest expense and acceleration of the accretion on the warrants attached to the previous debt facility. Increased expenses during the period were largely offset by increased gross profit.

EBITDA was negative \$2.5 million for the nine months ended September 30, 2018, \$12 thousand less compared to negative EBITDA in the same period in 2017, the reason for the variance is the same as above.

Overall Performance

Revenue and Gross Margin

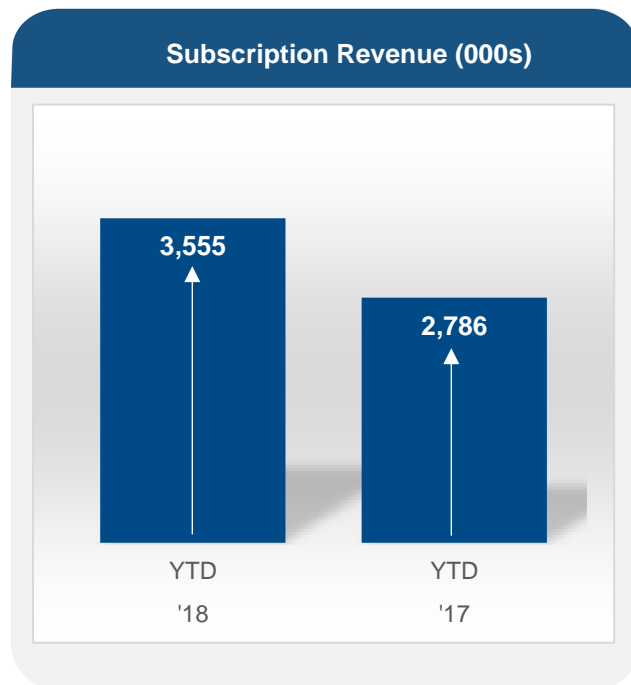
(in thousands)	Three months ended September 30				Nine months ended September 30			
	2018 (\$)	2017 (\$)	Change (\$)	Change (%)	2018 (\$)	2017 (\$)	Change (\$)	Change (%)
Revenue								
Subscription	1,174	988	186	19%	3,554	2,786	768	28%
Hardware	367	3,606	(3,239)	-90%	1,167	4,748	(3,581)	-75%
Software development	-	34	(34)	100%	-	127	(127)	100%
Other	5	2	4	200%	17	17	-	-
Total	1,547	4,630	(3,083)	-67%	4,738	7,678	(2,940)	-38%
Cost of goods sold								
Subscription	300	422	(122)	-29%	937	998	(61)	-6%
Hardware	325	3,443	(3,118)	-91%	1,077	4,340	(3,263)	-75%
Total	625	3,865	(3,240)	-84%	2,014	5,338	(3,324)	-62%
Gross profit								
Subscription	874	566	308	54%	2,617	1,788	829	46%
Hardware	42	163	(121)	-74%	90	408	(318)	-78%
Total¹	916	729	187	26%	2,707	2,196	511	23%
Gross margin								
Subscription	74%	57%		17%	74%	64%		10%
Hardware	11%	5%		6%	8%	9%		-1%
Total¹	59%	16%		43%	57%	5%		52%

¹ Gross profit and gross margin does not include software and other revenues

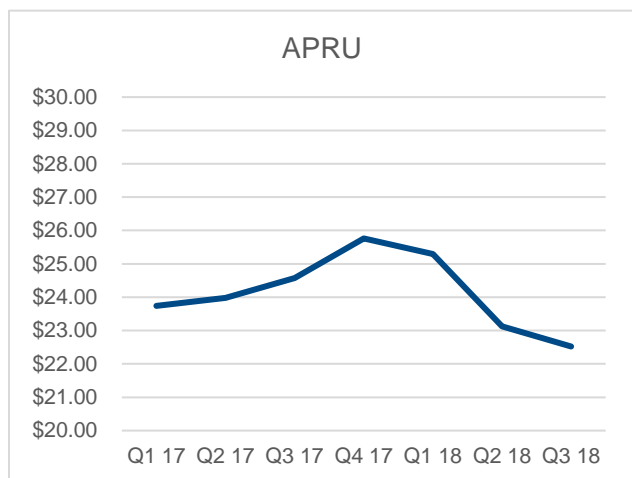
Subscription Revenue

Subscription revenue is recurring and is generated in the form of monthly service subscription fee charged for access to the Company's proprietary platform "Trakopolis" and revenues earned relating to data provided to customers via cellular and satellite networks. The Company offers monthly subscription packages that include access to Trakopolis and associated data plans based on customer needs.

Subscription revenue increased by \$186 thousand and \$768 thousand for the three and nine months ended September 2018, respectively, compared to the same periods in 2017. The increased subscription revenue is a result of growth in the Company's subscriber base.



Key Customer metrics



i) **ARPU:** Subscription revenue is impacted by ARPU. For the period ending September 30, 2018, ARPU decreased by \$0.60 from \$23.12 to \$22.52 compared to the period ended June 30, 2018. The decrease in ARPU is a result of a select few enterprise customers electing to hibernate assets throughout the period and increased channel sales at wholesale pricing as a percentage of overall sales in the period.

Hibernation is a feature offered to customers who require temporary flexibility in the number of active assets. Trakopolis is targeting to increase the subscription ARPU in future periods through expanding the Company's product feature set and product offering.

ii) **Churn:** The Company's net growth in subscription revenue is a function of managing customers, subscriber retention and churn period over period. Annualized churn for the nine-month period ended September 30, 2018 was 8.45%, an increase of 1.45% compared to the same period in the prior year. The increase was primarily due to ELD transition customers. With the transition completed and the new product partnership established in ELD, we anticipate churn returning to previous levels. The Company received notice in the period that an enterprise contract representing \$14K in MRR will not be renewed after December 2018. We believe this will be offset with continued subscriber growth from sales to new and existing customers as well the anticipated reactivation of a portion of the existing 1441 hibernate lines, however may result in increased net churn in Q1 2019.

Hardware Revenue

The Company does not manufacture hardware, instead it integrates with proven products from sophisticated vendors to satisfy the evolving needs of its customers. Hardware sales have an attached subscription plan and thus are directly correlated with new subscription lines activated.

Hardware revenue decreased by \$3.2 million and \$3.6 million for the three and nine months ended September 30, 2018 respectively, compared to the same periods in 2017. The decrease is primarily due to the recognition of an enterprise size sale in 2017.

Software Development Revenue

Software revenue decreased by \$34 thousand and \$127 thousand for the three and nine months ended September 30, 2018 respectively, compared to the same period in 2017 as there was no revenue generating software development projects during Q3 2018.

Other Revenue

Other revenue includes freight and interest revenue from guaranteed investment certificates.

Operational Revenue Commentary

Sales Mix

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Percentage of total sales				
Subscription revenue	76%	21%	75%	36%
Hardware revenue	24%	78%	25%	62%
Software revenue	-	1%	-	2%
Other revenue	-	0%	-	0%
	100%	100%	100%	100%

Subscription sales represented a larger portion of the sales mix for the three and nine months ended September 30, 2018, compared to the same periods in 2017. The increased percentage of subscription sales during the period is a result of subscription revenue growth through an expanded subscriber base.

Revenue by Source

The Company utilizes its dealer and channel partnerships as a major source of revenue generation and market penetration. This approach leverages our sales reach and provides opportunity to collaborate, integrate new products and expand our presence in other markets and other sectors. The table below summarizes the percentage of sales leads generated internally compared to dealer and channel partnerships. The table is calculated based on hardware sales leads and excludes subscription revenue.

Revenue by Source table:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Lead Source				
Direct Sales	56%	12%	52%	21%
Channel partners and dealers	44%	88%	48%	79%
Total	100%	100%	100%	100%

Revenue generated through channel leads was significantly higher in 2017 due to the recognition of a significant enterprise sale.

Revenue by Vertical

The Company has a diversified customer base which is spread across multiple verticals. The Company is flexible and can service multiple industries through the customization of software to fit customer needs. The customizable software allows the Company to have a diverse market presence through an expanded customer base. Below is a summary of the industries in which the Company operates.

Industry	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Oil & Gas	50%	44%	50%	42%
Construction	7%	10%	10%	10%
Urban services	13%	11%	11%	11%
Transport	7%	7%	7%	7%
Rental & leasing	13%	9%	9%	11%
Utility	6%	13%	9%	12%
Mining	2%	3%	2%	4%
Forestry	2%	3%	2%	3%
	100%	100%	100%	100%

Enterprise Customers

Our product and sales approach is focused on enterprise customers. We define enterprise clients as those who can track over 250 assets. This approach allows us to market a more comprehensive offering to enterprise clients. Proven products along with our API integration allows us to leverage our platform for an all-encompassing enterprise solution.

Enterprise sales will cause the largest volatility in hardware revenue due to the nature and size of the sale. Hardware revenue is generally an accurate predictor of subscription revenue growth in future periods. The greater economic benefit of enterprise sales is not realized on the initial hardware sale but rather the future recurring monthly subscription revenue.

A key strategy throughout 2018 is to compliment SMB sales with targeting enterprise customers who have a high volume of assets to maximize future subscription growth.

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Sales by customer type				
Enterprise customers	34%	82%	38%	61%
Other customers	66%	18%	62%	39%
Total	100%	100%	100%	100%

Enterprise Partnerships

The Company is currently engaged in several enterprise level partnerships each with opportunity to generate revenue for the Company. These partnerships are key in expanding our channel enablement strategy, and our geographical expansion, primarily into the US market. These partnerships include:

- Microsoft *Commercial Partner Co-Sell Program*
- Honeywell *Gas Detection Product*
- Bell Mobility *Bill on Behalf National Partnership*
- Telus *National Marketplace Bill on Behalf Partnership*
- The Driving Force *White label re-seller for fleet management services*
- Keep Truckin *ELD product partnership, integrated solution*
- Pronto Forms *National commercial reseller partnership*

Gross Margin and Gross Profit

Hardware margins are directly correlated to volume, as larger volume orders are offered at discounted margins. The timing and size of one-time hardware sales tends to be somewhat uncertain and therefore creates periodic margin volatility. Gross margin on hardware revenue increased 6% and decreased 1% for the three and nine months ended September 30, 2018 respectively, compared to the same periods in 2017.

Gross margin on subscription revenue increased 17% and 10% for the three and nine months ended September 30, 2018 respectively, compared to the same periods in 2017. The subscription gross margin increased because of 1) the enterprise sale impact at reduced margin; 2) cost reductions realized through management of vendor relations and 3) economies of scale and data optimization.

Total gross margin has increased 43% and 52% for the three and nine months ended September 30, 2018 respectively, compared to the same periods in 2017. Total gross margin is dependent on the mix of hardware and subscription revenue in the period. Hardware sales generate lower gross margins than subscription revenue. The increase in overall gross margin is a result of the factors discussed above combined with a larger weighting of subscription sales which generate a higher gross margin.

Operating Expenses

(in thousands)	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change	Change	2018	2017	Change	Change
	(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(\$)	(%)
Expenses								
General and administrative	747	682	65	10%	2,155	2,274	(119)	-5%
Sales and marketing	296	409	(113)	-28%	1,077	1,257	(180)	-14%
Service and support	144	227	(83)	-37%	461	568	(107)	-19%
Technology	493	459	34	7%	1,484	728	756	104%
Total expenses	1,680	1,777	(97)	-7%	5,177	4,827	350	7%

General and Administrative Expense ("G&A")

G&A expenses consist of employee salaries, benefits and share-based compensation related to finance and administration personnel and executives, professional fees, board of director fees and other overhead expenses. G&A expenses increased by \$65 thousand, or 10% and decreased by \$119 thousand, or 5% for the three and nine months ended September 30, 2018 respectively compared to the prior year periods. The increase for the three months ended September 30, 2018 is due to increase legal and professional service fees and the year over year decrease is largely a result of lower share-based compensation expense during 2018.

Sales and Marketing Expense

Sales and marketing expenses include the salaries, benefits, commission and share-based compensation related to our direct sales team, advertising, promotions and other costs such as travel and meals. Sales and marketing expenses decreased by \$113 thousand, or 28% and \$180 thousand, or 14% for the three and nine months ended September 30, 2018 respectively, compared to the prior year periods. This decrease is a result of lower share-based compensation expense as well as lower wages and salaries during 2018.

Service and Support Expense

Service and support expenses include salaries, benefits, share-based compensation and other costs related to our customer and technical support, implementations and project management personnel. Service and support expenses decreased by \$83 thousand, or 37% and \$107 thousand or 19% for the three and nine months ended September 30, 2018 respectively compared to the prior year periods. This decrease is largely a result of lower wages and salaries expense during 2018.

Technology Expense

Technology expenses consist of employee salaries, share-based compensation, benefits and expenses related to product development activities and other expenses associated with software development and hardware integration. Through research and development, the Company continues to develop and evolve the Trakopolis platform to focus on scalability to align with subscriber growth projections.

Technology costs increased by \$34 thousand, or 7% and \$756 thousand, or 104% for the three and nine months ended September 30, 2018, compared to the same periods in 2017. The increase for the nine month period is largely attributable to SR&ED rebates received in the prior period of \$402 thousand which was offset against expenses as well as IRAP ("Industrial Research Assistance Program") funding received in 2017. The Company did not receive SR&ED rebates this year as only private companies qualify for the cash rebates. In addition, technology expenses increased due to higher hosting costs correlated with increased subscribers in 2018 compared to 2017 as well as increased wages and salaries expense in 2018.

Finance and Other Expenses

	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change	Change	2018	2017	Change	Change
(in thousands)	(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(\$)	(%)
Derivative liability fair value adjustment	(38)	(8)	(30)	375%	29	100	(71)	-71%
Interest and debt on loans	100	79	21	27%	433	234	199	85%
Accretion expense	25	23	2	9%	196	143	53	37%
Loss on foreign exchange	(43)	10	(53)	-530%	53	17	36	212%
Total expenses	44	104	(60)	58%	712	494	218	44%

Finance expenses consist of derivative liability fair value adjustments, interest and debt on loans including amortization of debt issuance costs, accretion expense and foreign exchange gains or losses.

Finance expenses decreased by \$60 thousand or 58% for the three months ended September 30, 2018, compared to the same period in 2017.

Finance expenses increased by \$218 thousand or 44% for the nine months ended September 30, 2018, compared to the same period in 2017. The increase is primarily due to the Company entering into a new credit facility agreement and using the proceeds to repay and retire the previous obligation. This resulted in the company accelerating the amortization of the debt issuance costs which are recognized as interest expense as well as accelerated accretion on the warrants issued attached to the previous debt facility.

The loss on foreign exchange is recorded upon revaluation of the USD loan facility at each reporting date. The Company incurred a loss for the nine months ended September 30, 2018 due to the weakening of the Canadian dollar. A gain was realized in the three month period ended September 30, 2018 due to the strengthening of the Canadian dollar during this period.

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Quarterly Performance

The below table highlights selected financial information for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the accounting policies stated in the audited consolidated financial statements for the year ended December 31, 2017. The financial information presented reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of results for the interim periods.

	2018				2017		2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1 ¹	Q4
(in thousands)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Subscription	1,174	1,168	1,213	1,158	988	909	889	842
Hardware and other	373	432	378	666	3,642 ³	678	571	372
Total revenue	1,547	1,600	1,591	1,824	4,630	1,587	1,460	1,214
Gross profit	921	860	943	910	765	776	763	640
Gross margin	60%	54%	59%	50%	17%	49%	52%	53%
EBITDA ⁴	(759)	(937)	(756)	(717)	(1,013)	(1,083)	(369)	(3,838) ²
Net loss	(810)	(1,100)	(1,275)	(916)	(1,192)	(1,298)	(689)	(3,824)
Adjusted EBITDA ⁴	(676)	(850)	(662)	(798)	(846)	(768)	(296)	(522)

¹ During the three months ended March 31, 2017, the Company received SR&ED rebates of \$402 thousand.

² During the three months ended December 31, 2016 the Company had reverse takeover ("RTO") transaction costs of \$3.3 million.

³ During the three months ended September 30, 2017 the company had increased hardware sales as a result of units deployed through a strategic partnership in gas detection integration.

⁴ Refer to "Non-GAAP Measures".

The Company recorded a net loss of \$810 thousand for the three months ended September 30, 2018. The net loss decreased compared to prior quarter due to decreased operating and finance expenses. The gross margin percentage increase compared to prior quarter as a result of the sales mix, subscription revenue and hardware revenue.

Liquidity and Capital Resources

The Company's objective when managing capital is to ensure it has the appropriate capital structure to execute its strategic business plan while not creating risk to its ability to operate as a going concern. The Company's liquidity needs in short term and long term can be sourced multiple ways including: funds from operations, available cash balances, new debt instruments, equity issuances and government funding.

These condensed consolidated interim financial statements have been prepared using accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the nine-month period ended September 30, 2018, the Company incurred a loss of \$3,185,116 and utilized funds amounting to \$2,297,646 in its operations. In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance working capital and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations, maintain compliance with covenants relating to its lending agreements, generate sufficient funds from operations, and continue receiving financial support from its shareholders and obtain new financing, if required. There is no certainty that the Company will raise these necessary funds from financing or operations. As a result of these factors, there is a material uncertainty that may result in significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

The condensed consolidated interim financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

As at September 30, 2018, the Company had a cash and cash equivalent balance of \$566 thousand a decrease of \$1.5 million from \$2.1 million at December 31, 2017. The change was due to the following:

Operating Activities

The Company utilized funds amounting to \$2.3 million in operations during the nine months ended September 30, 2018. The funds are mainly related to cash used in operations of \$2.4 million and cash generated from changes in non-cash working capital of \$0.1 million.

Investing Activities

During the nine months ended September 30, 2018, the Company had minimal cash flow impact due to investing activities.

Financing Activities

The Company had positive cash flows of \$793 thousand from financing activities for the nine months ended September 30, 2018. The cash flow is related to the new debt facility entered in during the period offset by the repayment of the previous debt facility.

Debt

On February 14, 2018, the Company entered into a new USD \$3.5 million secured credit facility with California based Silicon Valley Bank. The credit facility consists of a 36-month term loan of USD \$1.5 million (the "Loan Facility") and an accounts receivable line of credit of up to USD \$2 million (the "Revolving Line"). The Loan Facility bears interest at a rate of US prime plus 1.5% and the Revolving Line bears interest at a rate ranging from US prime plus 1.75% to prime plus 2.25% based on certain operating metrics. The proceeds from the Loan Facility have been used to repay and retire the Company's previous outstanding indebtedness. The Loan Facility is secured against all of the assets of the Company and its subsidiaries.

As part of the Loan Facility arrangement, the Company paid debt issuance costs of \$81,726. As at September 30, 2018, \$50,362 remained unamortized against the carrying value of the facility. These costs will be amortized over the remaining term of the facility.

Of the \$1,755,733 outstanding at September 30, 2018, \$687,978 is due for payment within the next twelve months.

The Company's Loan Facility is subject to the following covenants which were amended throughout the period. As at September 30, 2018 the Company's loan facility is subject to the following covenants:

- (i) Liquidity coverage ratio: A ratio of quick assets¹ to all obligations of co-borrowers to lender, in an amount equal to or greater than the amount set forth in the chart below for the corresponding measuring period:

(1) Quick assets is defined as cash, cash equivalents and accounts receivable

Measuring Periods Ending	Required Liquidity Coverage Ratio
Effective Date through August 31, 2018	1.00:1.00
September 30, 2018 and October 31, 2018	Not Tested
November 30, 2018 and December 31, 2018	1.50:1.00
January 31, 2019 and each month thereafter	1.75:1.00

- (ii) Tangible Net Worth⁽²⁾: A tangible net worth of not less than the amounts set forth in the table below for the corresponding periods; which amounts shall (i) automatically increase by an amount equal to fifty percent (50%) of the net cash proceeds received by any co-borrower after the effective date from the sale of such co-borrower's equity securities or the incurrence of subordinated debt upon the receipt of such proceeds and (ii) increase quarterly by an amount equal to fifty percent (50%) of co-borrowers' quarterly net income, as of the last day of each quarter;

Measuring Period Ending	Minimum Tangible Net Worth
September 30 2018	Not Tested
October 31, 2018	Not Tested
November 30, 2018 through December 31, 2018	(\$1,250,000)
January 31, 2019 through March 31, 2019	(\$1,600,000)
April 30, 2019 through June 30, 2019	(\$1,950,000)
July 31, 2019 through September 30, 2019	(\$2,300,000)
October 31, 2019 through December 31, 2019	(\$2,650,000)

⁽²⁾ Tangible net worth is defined as aggregate value of total assets of co-borrowers and their subsidiaries less intangible assets less aggregate value of obligations that should, under IFRS, be classified as liabilities on co-Borrowers' consolidated statement of financial position, including all Indebtedness and current portion of subordinated debt permitted by the Lender to be paid by co-borrowers, but excluding all other subordinated debt plus aggregate value of subordinated debt.

- (iii) Maximum accounts payable: The Company's accounts payable shall not at any time exceed \$2,000,000 and critical vendors shall not at any time, exceed 15% of all of the Company's accounts payable over 90 days from the invoice date on a vendor by vendor basis.
- (iv) Maximum inventory: Inventory on hand shall at no time exceed \$500,000 in the aggregate without prior written approval from the lender.
- (v) Equity milestone: The Company shall achieve an equity milestone, which means receipt by bank prior to November 15th, 2018 evidence satisfactory to the bank confirming an equity investment of at least CAD \$3,000,000 in net proceeds
- (vi) Minimum liquidity: The Company at all times through to November 29, 2018 shall maintain at least \$400,000 in unrestricted cash at bank plus unused availability under the Revolving Line

A summary of the covenants as at September 30, 2018 is below:

	Covenant	September 30, 2018
Liquidity coverage ratio ⁽¹⁾	Not Tested	1.11:1.00
Tangible Net Worth ⁽²⁾	Not Tested	(\$1,009,518)
Maximum accounts payable	\$2,000,000	\$1,612,279
Maximum inventory	\$500,000	\$388,285
Minimum liquidity	\$400,000	\$566,389

As at September 30, 2018, the Company was in compliance with all covenants related to its loan facility.

Subsequent to September 30, 2018, the Company replaced the Loan Facility and the Revolving Line on November 20, 2018 with a 12-month USD \$3.0 million secured Term Loan. The Term Loan bears an interest at annual rate of prime (US) plus 4.5%. In accordance with the terms of the loan, the Company is not required to make any interest or principal repayments until maturity.

The Company has used the proceeds to pay out the Company's existing indebtedness and to fund certain Lender expenses in accordance with the terms of the Term Loan, with the remaining funds to be made available for general working capital purposes.

The Company is subject to the following covenants, whereby it shall not:

- i) Permit its actual Liquidity, as of any date, to be less than \$1,000,000: "Liquidity" means, with respect to the Borrower, the aggregate amount of cash and cash equivalents (excluding retirement accounts and personal and corporate lines of credit), each as reasonably determined by Lender, held in one or more deposit accounts or securities accounts subject to a Control Agreement and a first-priority perfected Lien in favor of Lender.
- ii) Permit its In-Force Annual Contract Value to be less than the indicated amounts as at the last day of each of the following fiscal quarters of the Borrower:
 1. 4th quarter of 2018 – USD \$3,500,000;
 2. 1st quarter of 2019 – USD \$3,650,000;
 3. 2nd quarter of 2019 – USD \$3,850,000; and
 4. 3rd quarter of 2019 – USD \$4,000,000.
- iii) Permit its Net Retention Rate to be less than 90% as of the last day of any fiscal quarter of the Borrower. "Net Retention Rate" means, as measured for any month (a "Testing Month"), the quotient, expressed as a percentage, of (i) the MRR for the Testing Month from customers that have been active for more than twelve (12) full months, divided by (ii) the MRR for the corresponding month occurring one year prior to the Testing Month.

Equity

The summary of the outstanding equity instruments and dilutive equity instruments is below:

	September 30, 2018	December 31, 2017
Common shares	26,152,405	26,069,379

Non-GAAP Measures

Identification of non-GAAP Financial Performance Measures

This MD&A contains references to certain financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities. These non-GAAP financial performance measures should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS. These financial measures are identified and defined below:

"Recurring Revenue" includes monthly software subscriptions, and resale of cellular and satellite data. Recurring revenue is recognized monthly as services are delivered and is derived from the subscription revenue category within the Company's financial statements. We believe that Recurring Revenue provides useful information to our investors because it shows the long-term nature of recurring service revenue.

A "Subscriber" is defined as a customer's individual asset which is monitored by a telematics device. A Subscriber is an important metric for our investors because it provides an indication of our ability to generate Recurring Revenue from providing recurring service to our customers.

"EBITDA" and "Adjusted EBITDA" are measures of our operating profitability. We believe that EBITDA and Adjusted EBITDA provide useful information to our investors because they exclude transactions not related to the core cash operating business activities, allowing meaningful analysis of the performance of our core cash operations.

EBITDA is an indicator of the financial results generated by our business activities excluding the impact of any financing activities, amortization and depreciation of property, equipment and intangible assets, and taxes.

Adjusted EBITDA is a further refinement of EBITDA to remove the effect of share-based compensation expense and one time expenses. As such, Adjusted EBITDA provides more meaningful continuity with respect to the comparison of our operating results over time.

EBITDA and Adjusted EBITDA are derived from the Consolidated Financial Statements. We believe that using these metrics enhances an overall understanding of the Company's results and we present them for that purpose.

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Reconciliation of non-GAAP financial performance measures

The following table provides a reconciliation of net loss under IFRS, as disclosed in the consolidated statements of operations and comprehensive loss, to EBITDA and Adjusted EBITDA:

(in thousands)	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		(\$)		(\$)
Net loss	(810)	(1,192)	(3,185)	(3,179)
Add:				
Amortization and depreciation expense	7	75	20	220
Finance expense	44	104	712	494
EBITDA	(759)	(1,013)	(2,453)	(2,465)
Add:				
Gain on insured property and equipment	-	1	-	(23)
Share based compensation	83	166	264	578
Adjusted EBITDA	(676)	(846)	(2,189)	(1,910)

Critical Accounting Estimates

The preparation of consolidated financial statements in compliance with IAS 34 requires management to apply estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses as well as certain disclosures within the consolidated financial statements. It also requires management to exercise judgement in applying the Company's accounting policies. Estimates and other judgements are periodically evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ significantly from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas requiring estimates and assumptions in determining the reported amounts in the financial statements are as follows:

(i) Provision for onerous lease:

The Company recognizes the provision for current head lease on space not occupied by the Company. Management determines the net recoverable amount on the space and offsets this estimate against the head lease obligation. The carrying obligation is measured at each financial period.

(ii) Discount rate to fair value debt:

The Company will measure the fair value of debt where warrants and/or conversion features are attached. The Company estimates the discount rate based on current market rates for borrowing for a company of its size and nature. The discount rate is used to first calculate the financial liability with the residual amount applied to equity.

(iii) Share-based compensation:

In measuring the grant date fair value of share-based payments, the Company makes estimates of volatility, and expected life.

Off-Balance Sheet Arrangements

As at September 30, 2018, The Company does not have any off-balance sheet arrangements other than operating leases.

Related Party Transactions

During the three months ended September 30, 2018, the Company did not have any related party transactions.

Subsequent Events

Subsequent to September 30, 2018, the Company replaced the loan facility on November 20, 2018 with a USD \$3.0 million secured credit facility. The credit facility consists of a 12-month term loan bearing interest at an annual rate of prime (US) plus 4.5%. In accordance with the terms of the loan, the Company is not required to make any interest or principal repayments until maturity.

The Company has used the proceeds to pay out the Company's existing indebtedness and to fund certain Lender expenses in accordance with the terms of the Term Loan, with the remaining funds to be made available for general working capital purposes.

Risk and Uncertainties

(a) Unprofitable Operations:

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue incurring significant losses in the future. In addition, the Company expects to continue increasing operating expenses as it implements initiatives to continue growing its business. If the Company's revenues do not increase at a higher proportion to offset these expected increases in costs and operating expenses, the Company may not generate profits.

(b) Dependence on Personnel:

Due to the technical nature of its business and the dynamic market in which the Company competes, the Company depends on its ability to attract and retain highly skilled developers and technology, engineering, managerial, marketing and sales personnel. The Company's future will depend in part on the continued services of each of its proposed executive officers and other key employees. Competition for qualified personnel in the industry in which the Company operates is intense. The Company believes that there are only a limited number of people with the requisite skills to serve in many key positions and it is difficult to hire and retain these people. The loss of one or more of these key personnel may have a significant adverse effect on the Company.

(c) Variable Revenues and Earnings:

The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Company's Shares. Revenues and earnings may vary quarter to quarter as a result of a number of factors, including the timing of releases of new products or services, the timing of substantial sales orders or deliveries, activities of the Company's competitors, cyclical fluctuations related to the evolution of wireless technologies, possible delays in the manufacture or shipment of current or new products, concentration in the Company's customer base, possible delays or shortages in component supplies, transition periods associated with the migration to new technologies, potential commoditization and saturation in certain markets, impairment of goodwill or intangible assets which may result in a significant change to earnings in the period in which an impairment is determined, and operating expenses that are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business. Any of the factors listed above could cause significant variations to the Company's revenues, gross margin and earnings in any given quarter.

(d) Additional Financing:

In order to execute its strategy, the Company may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, or to undertake business combination transactions or other initiatives. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

If additional funds are raised through further issuances of equity or debt convertible into equity, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities.

(e) Technology:

Telematics technologies will continue evolving and become more affordable to end users. Likely the telematics industry will mimic the cellular telephone industry in its growth and business model. However, it is uncertain if technology standards will be established to create compatibility amongst devices. Demand for increased message frequency combined with subscriber growth creates greater strain on server infrastructure. We anticipate the trend continuing as telematics users become more sophisticated. Scalability is paramount.

(f) Competition:

Given the size of the overall telematics market, the low barriers to entry and the difficulty differentiating, a number of competitive strategies may emerge. Some competitors may be turn-key providers; some may focus on market verticals or industries. Geographical reach and customer service may also play an important role in competitive landscape.

(g) Meeting Market Demand:

Given the market trends in telematics, the industry is poised for massive growth in the next few years as the technology becomes more affordable, applications become more unique and the market begins the mass adoption of telematics.

(h) Credit Risk:

Credit risk reflects the risk the Company may be unable to collect its accounts receivable. The Company was engaged in contracts with one party, of whom individually represented 12% of the Company's sales, and 11% of accounts receivable at September 30, 2018. The Company employs established credit approval and monitoring practices to mitigate the risk.

(i) Currency Risk:

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(j) Cyber Security:

The Company relies on our information technology to process, transmit and store electronic information. A breach in the security of our information technology could expose our business to a risk of loss, misuse or interruption of critical information and functions. This could affect our operations, damage our assets, result in safety incidents, reputational harm, competitive disadvantage, regulatory enforcement actions and potential litigation, which could have a material adverse effect on our operations, financial position and results of operations.

(k) Product Liability:

A product liability could adversely impact the Company's business due to the cost of settlements and due to the costs of defending such claims. Although the Company carries product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

Forward-looking Information

This document contains forward-looking statements. Statements other than statements of historical fact contained in this document may be forward-looking, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance, business prospects, and opportunities of the Company, the general economy, the future financial position or results of the Company, business strategy, growth opportunities, budgets, and projected costs and plans and objectives of the Company. Investors can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, investors are cautioned not to place undue reliance on any forward-looking information contained in this document.

Statements containing forward-looking information reflect management's current beliefs and assumptions based on information in its possession as of the date of this document. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Statements containing forward-looking information involve significant known and unknown facts and uncertainties of both a general and specific nature, as well as numerous assumptions, including without limitation, assumptions relating to customer demand, expected growth and expected growth rates, the successful completion of equity and debt financings, the size of future equity financings, competitive advantages of the Company's products and services, costs of material and services, access to capital, access to qualified personnel, production capacity, and required capital expenditures.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: reliance on key personnel, general economic conditions, The Company's limited operating history, industry conditions, currency fluctuations, competition from other industry participants, the lack of availability of qualified personnel or management, reliance on third party suppliers, dilution of interests of shareholders, and ability to access sufficient capital from internal and external sources. The information contained in this document may identify additional factors that could affect the operating results and performance of the Company

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this document are made as of the date of this document.