TRAKOPOLIS®
EVOLVING VISIBILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAKOPOLIS IOT CORP.

YEARS ENDED DECEMBER 31, 2018 AND 2017

April 30, 2019

TRAKOPOLIS®
IoT Corp.

MESSAGE TO SHAREHOLDERS

Highlights

+20% in subscription revenue

During the year subscription revenue grew 20% as a result of subscriber growth, strong customer retention and the impact of enterprise sales.

Subscriber Growth

Addition of 2,323 subscribers during fiscal 2018 which represents a 15% increase year-over-year

Dear Shareholders,

We are pleased to present our fiscal 2018 year end results. While I encourage you to review in detail our financial statements and MD&A for the period, I wanted to highlight a few achievements by our team.

You will see that our subscription revenue grew to $4.7 million in 2018, an increase of 20% compared to the same period in the prior year. This increase is largely due to the impact of enterprise sales from the prior year.

Our subscriber base continues to expand, increasing by 2,323 subscribers over the year for a 15% increase, this in despite of a challenging oil and gas market which represents 49% of our subscription revenue.

The enterprise segment of our customer base represented 54% of subscription revenue, an increase of 10% from 2017.

Our monthly recurring revenue (MRR) experienced volatility throughout the year due to flexible subscription plans with enterprise customers however we expect this be short-term. We continue to focus on MRR initiatives including product partnerships that expand average revenue per unit (“ARPU”) combined with renewals and growth objectives with our current customer base.

Gross Profit of $3.6 million for the year was a 10% increase from the prior year, highlighting the impact of subscription revenue and the higher associated gross margin.

Solution Evolution

During the year we announced new product related partnerships. Expanding the Trakopolis solution offering with ELD partner Keep Trucking and creating the Transportation Trifecta with MoveitOnline by Mullen Group.

We focused on expanding our solution offering through partnerships in key verticals and continue to target the enterprise segment as a core strategy for accelerated subscriber and revenue growth.

We believe our efforts to build an enterprise platform that is configurable in providing end-users a customized solution strengthens our position in the market and aligns with trends in the industrial internet of things ("IIoT") market place.

Our agnostic approach to hardware provides flexible options to end customers and we achieve a comprehensive solution offering to end customers through years of experience.

Trakopolis continues to position itself as a true IIoT solution, well beyond the scope of traditional fleet management companies. We invested in strategic partnerships that position our solution and sales and marketing resources to capture a very broad market in 2019.

Channel Mobilization

Working with BELL, Telus, Honeywell, Microsoft and Keep Trucking we aim to grow revenue through these partners who bring unmatched expertise and differentiation.

Going Forward

Collaboration and partnerships are core strategies of Trakopolis and now that we have positioned key solutions through the R&D stage, we can concentrate our efforts on established products, enabling us to significantly reduce our operating costs and grow monthly subscription revenue with a view to achieve operational breakeven.

I want to thank you for your continued support as we grow the business.

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 twelve months ended December 31, 2018. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2018.

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 April 30, 2019 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, as applicable.

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 International Financial Reporting Standards ("**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 is a Software as a Service ("**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. Our 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 Internet of Things, 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.

We believe that large enterprise customers represent the greatest market opportunity as that market is under-served. Our technology strategy targets enterprises who need greater functionality, security, analytics, configurability, integration and with the agile ability to include customized functionality. During 2018 we targeted our enterprise opportunities across our entire product portfolio including opportunities that underscore our competitive and strategic focus into the Industrial Internet of Things **("IIoT").**

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

Trakopolis expands its solution offering beyond GPS tracking. We have positioned our solutions, infrastructure and framework to be able to offer customers a technology partner. We have proven expertise in the following core functions of Trakopolis and service customers in multiple verticals.

GPS TRACK AND TRACE | GPS track and trace is the foundation of our solution offering. Fleet and Equipment management software with features like GIS overlays, RigRoads, Cycle Times and Asset Utilization drive ROI for meaningful business insights.

CUSTOM IOT SOLUTIONS | With 10 years experience integrating hardware and software into our platform, we know how to acquire the data businesses need enabling them to get the insights to make better business decisions.

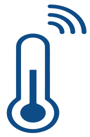
ADVANCED ANALYTICS | Trakopolis taps into Power BI, and the Azure cloud platform, to create customized reports and predictive analysis from very large volumes of data.

API INTEGRATION | 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.

HARDWARE INTEGRATION | Trakopolis' strength is taking the best of breed devices and integrating them into our platform allowing for unlimited data acquisition sources.

GEOGRAPHIC INFO SYSTEMS ("GIS") | API integration with Google Maps enables your own GIS data to be overlaid, so that you can visualize equipment and personnel in remote locations with cell technology, or 'off-grid' using satellite.

ACCELERATING TECHNOLOGY GROWTH | Trakopolis has created a comprehensive partner network of tier one partners whose complementary technologies provide robust customizable solutions into one platform.



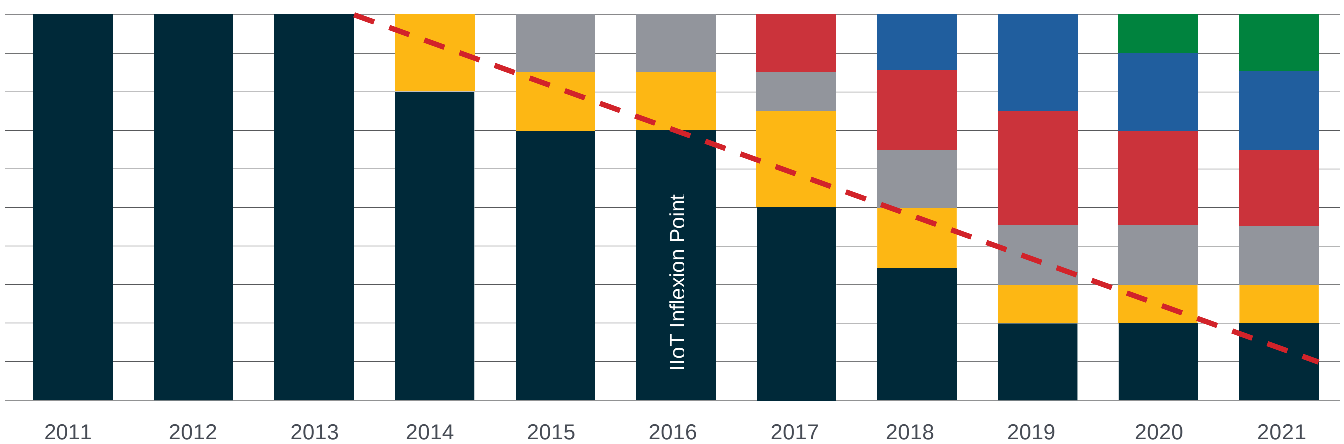
SENSOR REPORTS AND CUSTOM ALERTS | Trakopolis integrates multiple sensor types to deliver a full picture of a business process. Any piece of data can be tagged for an alert, so that events can be monitored in real-time. Trakopolis can send alerts via email or text.

CLOUD BASED | Microsoft Azure Hosting provides Trakopolis customers with the security, scalability and performance that is critical for an enterprise level asset tracking system.

THE FUTURE OF THE INDUSTRIAL INTERNET OF THINGS ("IIoT")

Trakopolis combines the Internet of Things, telematics and a powerful API to create intuitive dashboards that give insight into core business operations, such as fleet management, equipment utilization, maintenance and repair scheduling, and employee health and safety. As our customers' requirements constantly evolve, Trakopolis will continue to grow our platform to meet the needs of the ever-changing technology landscape.

SEGEMENTED SOLUTION CATEGORIES



- **Basic Asset Tracking:** Location and time of an asset displayed on map – basic telematics data. (dot on a map)
- **Advanced Asset Tracking:** Basic asset tracking + custom features like geo-fences, analytics, driver behavior, engine diagnostics.
- **Enterprise Asset Tracking:** Advanced asset tracking + audit and big data capabilities, advanced analytics.
- **ELD with Advanced Asset Tracking:** Advanced asset tracking for all asset types + ELD data through advanced API integration
- **Connext Loneworker:** Consolidated solution of enterprise asset tracking with Loneworker and connected gas monitors.
- **New IoT TBD:** Solutions continue to evolve and the Trakopolis platform is designed to integrate and connect with other applications.

2018 OPERATIONAL HIGHLIGHTS

The following were key highlights of the Company's overall operational achievements in 2018:

Subscriber Growth – We experienced continued subscriber growth through the year 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 in 2018 provide exciting opportunity to expand into enterprise grade opportunities.

Partner and Product Expansion – Trakopolis' partnership with electronic logging device ('ELD") provider Keep Truckin expanded through 2018 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.

Evolving Solutions - The Company completed development, integration and initial field trials of the Honeywell mesh guard solution. This expands the Company's product offering in connected gas solutions to industrial facilities and into the fixed gas market. The Company also completed the integration of a mobile tank monitoring solution with a leading supplier. This solution will be marketed to new and existing customers and offers a solution with real time sensor data of mobile gas and fluid monitoring as well as providing end users with advanced analytics for fluid management and compliance.

Key highlights of the Company's financial performance for 2018 included:

The Oil and Gas market, which is one of the Company's primary verticals proved challenging throughout the year and the Company was unable to close enterprise sales in its primary Western Canadian markets in 2018. We continue to target the enterprise segment as a core strategy for accelerated subscriber and revenue growth and invested in positioning solutions to address this market opportunity in our target verticals. We believe our efforts to build an enterprise platform that is configurable in providing end-users a customized solution strengthens our position in the market and aligns with trends in the market.
Increased competition for basic location-only solutions lead to pricing pressure in both direct and channel sales which, in part, caused average revenue per unit **("ARPU")** to decline over the period. Flexible subscription options to certain enterprise customers created monthly subscription revenue volatility through the year which also affected ARPU.

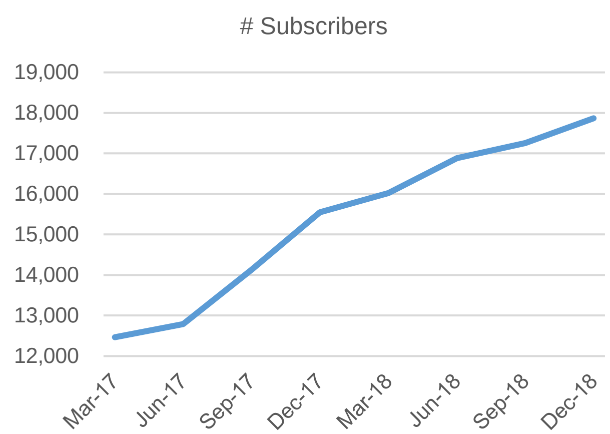
Subscription revenue growth – The Company realized a 19% increase in subscription revenue for the twelve months ended December 31, 2018. Despite a challenging environment for the oil and gas industry that created volatility within monthly recurring revenue **("MRR"),** the Company was able to realize continued growth in subscriber base and subscription revenue.

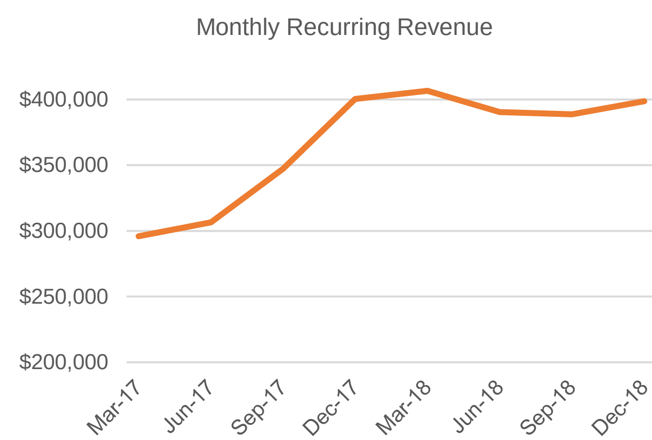
Gross Profit and Operating Loss Improvement – The Company improved gross profit by $330 thousand for the twelve months ended December 31, 2018 compared with 2017 and improved operating loss by $425 thousand. The improvement is due to the subscription revenue impact from an enterprise sale in Q3 and Q4 of 2017 and decreased operating costs.

KEY METRICS

The Company considers subscriber growth, monthly recurring subscription revenue, ARPU and enterprise sales as key metrics in evaluating performance.

Key Metrics								
	Mar-17	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**
# Subscribers	12,466	12,788	14,133	15,545	16,022	16,888	17,256	17,868
Monthly Recurring Revenue	$295,921	$306,595	$347,296	$400,466	$406,620	$390,498	$388,644	$398,772
ARPU Subscription	$23.74	$23.98	$24.57	$25.76	$25.38	$23.12	$22.52	$22.32





Total number of subscribers added in the year ended December 31, 2018 was 2,323 which represented a 15% increase. MRR over the year decreased by 1% which correlates with the decrease in ARPU which was primarily a result of hibernations from select enterprise customers. Certain customers are offered hibernation rates that can be elected when assets are inactive for a temporary period and thus not a cancellation. This feature is offered to enterprises in verticals with business volatility such as rentals and leasing and project-based businesses.

ENTERPRISE SEGMENT

Enterprise customers represent an important market opportunity for Trakopolis and the Trakopolis 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.

Enterprise customers represent

54%

of Monthly Recurring Revenue at December 31, 2018 compared to 43% in 2017

FINANCIAL SUMMARY

	Three months ended December 31				Twelve months ended December 31			
(in thousands)	**2018**	**2017**	**Change**	**Change**	**2018**	**2017**	**Change**	**Change**
	($)	**($)**	**($)**	**(%)**	**($)**	**($)**	**($)**	**(%)**
Revenue	1,600	1,824	(224)	-12%	6,339	9,501	(3,162)	-33%
Cost of sales	744	913	(169)	-19%	2,759	6,251	(3,492)	-56%
Gross profit	856	911	(55)	6%	3,580	3,250	330	10%
Gross Margin	54%	50%	-	4%	56%	34%	-	22%
Net loss[2 3]	(1,058)	(916)[2]	(142)	-16%	(4,243)	(4,095)	(148)	4%
EBITDA[1]	(589)	(717)	128	18%	(3,041)	(3,182)	141	4%
Adjusted EBITDA[1]	(538)	(798)	260	33%	(2,725)	(2,708)	(17)	1%
Share Capital	25,923	25,859	64	0%	25,923	25,859	64	0%
Total Assets	3,740	4,634	(894)	-19%	3,740	4,634	(894)	-19%
Total Liabilities	6,532	4,016	2,516	63%	6,532	4,016	2,516	63%

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

2 Net Loss in 2017 includes a gain on the derecongnition of the ELOG Intangible asset of $391,000 as per Note 19 of the financial statements.

3 Includes 2016 SRED rebate of $403k received in 2017 and recognized as a reduction of Technology expenses

Three and Twelve months ended December 31, 2018 v 2017

The Company generated revenue of $1.6 million for the three months ended December 31, 2018, a 12% decrease from the same period in 2017. The decline was driven from a decrease in hardware sales compared to the prior period as well the impact of hibernated subscriptions on subscription revenue. Hardware sales were lower than the comparable period due to an enterprise sale roll out in Q3 and Q4 2017. Enterprise sales create revenue volatility during the roll out whereby one-time revenue streams such as hardware sales and installations are recognized. Hibernations are a flexible option offered to certain customers that may not require assets connected 100% of the time and are typically required in verticals with project based work or in the rental and leasing market. The impact of hibernations is evident in subscription ARPU which is correlated with the MRR trend. Hibernations are deemed a temporary status and customers have the ability to reactivate into active status at any time.

The Company generated revenue of $6.3 million for the twelve months ended December 31, 2018, a $3.2 million decrease from the twelve months ended December 31, 2017. The decrease in total revenue was due to the recognition of an enterprise sale in 2017 whereby over $3 million was recognized as hardware revenue. For the twelve months ended December 31, 2018, subscription revenue increased 20% compared to the prior year, this due to an increased subscriber base and in large part due to the enterprise sale in 2017. The Company did not realize a significant enterprise sale for the year ended 2018, however continues to invest in that market segment.

The decrease in gross profit of $55 thousand between Q4 of 2018 and Q4 of 2017 relates to lower hardware sales and no software development sales in the period. Gross Profit for the twelve months ended December 31, 2018 improved by $330 thousand or 10% from the prior year, the increase in gross profit is due to the revenue mix between hardware and subscription revenues and resulting gross margin differences from the revenue streams. Hardware and installation revenues typically have a significantly lower gross margin compared to subscription revenue which had a gross margin of 72% for the twelve months ended December 31, 2018.

Adjusted EBITDA for the three months ended December 31, 2018 was an improvement of $260 thousand from the same period in 2017. This improvement was due to a reduction in operating costs by $574 thousand which primarily related to share-based compensation expense reduction period over period. Adjusted EBITDA in Q4 2017 excludes the gain recognized on disposition of the ELOG software of $391 thousand. Adjusted EBITDA for the twelve months ended December 31, 2018 declined by $17 thousand compared to the same period in 2017, this due to operating costs in 2017 being offset by a SR&ED rebate of $403 thousand received in 2017 that related to a 2016 claim. EBITDA improved by $128 thousand for the three months ended December 31, 2018 and $141 thousand for the twelve months ended December 31, 2018. This was primarily driven by lower operating costs. Of note, 2018 did not include SR&ED rebates and thus when the SR&ED rebate is removed for comparison purposes, EBITDA improved by $544 thousand for the twelve months ended December 31, 2018.

The Company recorded a net loss of $1,058 thousand for the three months ended December 31, 2018, which was a $142 thousand increase compared to the loss from the same period in 2017. The increase is due to increased finance expenses as it relates to debt restructuring and corporate finance costs incurred in the quarter ended December 31, 2018. Finance expenses increased $331 thousand compared to the same period in 2017. For the twelve months ended December 31, 2018 the net loss was $4.2 million which was an increased loss of $148 thousand from the prior period. The increase in loss is due to a SR&ED rebate of $403 thousand received in 2017 which was applied as a reduction of technology expenses. In 2017 a gain on derecognition of the Intangible asset related to ELOG software (note 19 of the financial statements) was also recognized and offset the operating loss by $391 thousand. When the net loss for the twelve months ended December 31, 2017 is adjusted to remove the one-time impact of the recognized gain on the derecognition of the intangible asset and the SR&ED rebate received, the net loss in 2018 improved by $645 thousand.

OVERALL PERFORMANCE

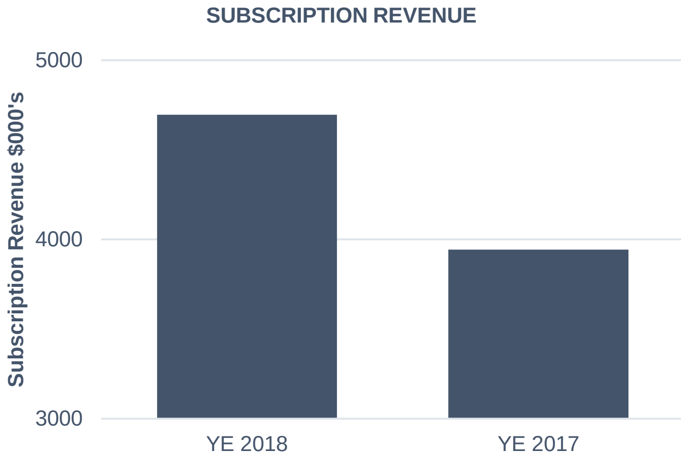
REVENUE AND GROSS MARGIN

	Three months ended December 31				Twelve months ended December 31			
(in thousands)	2018	2017	Change	Change	2018	2017	Change	Change
	($)	($)	($)	(%)	($)	($)	($)	(%)
Revenue								
Subscription	1,180	1,158	22	2%	4,735	3,944	791	20%
Hardware	416	633	(217)	-34%	1,583	5,381	(3,798)	-71%
Software	-	25	(25)	-100%	-	152	(152)	-100%
Other	4	8	(4)	-50%	21	24	(3)	-13%
Total Revenue	**1,600**	**1,824**	**(224)**	**-12%**	**6,339**	**9,501**	**(3,162)**	**-33%**
Cost of Goods Sold								
Subscription	391	300	91	30%	1,336	1,299	37	3%
Hardware	353	613	(261)	-43%	1,423	4,952	(3,529)	-71%
Total Cost of Goods Sold	**744**	**913**	**(169)**	**-19%**	**2,759**	**6,251**	**(3,492)**	**-56%**
Gross Profit								
Subscription	789	858	(69)	-8%	3,399	2,645	754	29%
Hardware	63	19	44	226%	160	428	(268)	-63%
Total Gross Profit[1]	**852**	**877**	**(25)**	**-3%**	**3,559**	**3,073**[1]	**486**	**16%**
Gross Margin								
Subscription	67%	74%	-	-7%	72%	67%	-	5%
Hardware	15%	3%	-	12%	10%	8%	-	2%
Total Gross Margin	**53%**	**50%**	**-**	**3%**	**56%**	**32%**	**-**	**24%**

1 Total gross profit and gross margin does not include software development or other revenue

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. The Company considers subscription revenue a primary key performance indicator.



Subscription revenue increased $791 thousand for the twelve months ended December 31, 2018, compared to the twelve months ended December 31, 2017. The increase is due to larger subscriber base which resulted from sales throughout the period as well a significant enterprise sale in 2017 and the associated subscription impact.

Subscription revenue increased by $22 thousand for the three months ended December 31, 2018, compared to the same period in 2017. The increase is a result of increased subscribers and the impact of the enterprise sales in 2017 and offset by customer hibernations creating short term volatility in subscription revenue, resulting in decrease ARPU.

Key subscription revenue metrics:

i) **Churn:** The Company's net growth in subscription revenue is a function of managing customers and subscriber retention and churn period over period. Annualized churn for the twelve-month period ended December 31, 2018 was 8.25%, consistent with the prior year. The management of churn is accomplished through an increased focus on improving customer service and solutions offered to customers, increasing the lifetime of customers and offering fixed term agreements.

ii) **ARPU:** Growth in subscription revenue is also impacted by the average revenue per unit, or ARPU. ARPU decreased by $3.44 from $25.76 to $22.32 from the fourth quarter of 2017 to the same quarter in 2018. The decrease is a result of hibernations and pricing pressure in more commoditized solutions such as basic fleet and asset tracking. The Company has core initiatives associated to positioning products and solutions that increase ARPU through expanding solution features and collaboration with partners for bolt-on products.

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 $217 thousand or 34%, for the three months ended December 31, 2018 and $3.8 million or 71% for the twelve months ended December 31, 2018 compared to the same periods in the prior year. The decline in hardware sales from the prior period is due to the impact of a significant enterprise sale in 2017. The Company considers the enterprise segment of the market as a key driver for future growth and has positioned key solution offerings through expanding software and platform features and through strategic partnerships.

SOFTWARE DEVELOPMENT REVENUE

Software development revenue is generated from custom development requests from existing customers, new customers and strategic partners. Software development is undertaken with an expectation to realize future hardware sales and subscription revenue. Through the three and twelve months ended December 31, 2018, the Company did not realize any software development revenues.

OTHER REVENUE

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

OPERATIONAL REVENUE COMMENTARY

i) Sales Mix

	Three months ended December 31		Twelve months ended December 31	
Revenue Type	**2018**	**2017**	**2018**	**2017**
Subscription revenue	73.7%	63.5%	74.6%	41.5%
Hardware revenue	26.0%	34.7%	25.0%	56.6%
Software revenue	-	1.4%	0.1%	1.6%
Other revenue	0.3%	0.4%	0.3%	0.3%
	100.0%	100.0%	100.0%	100.0%

The Company is focused on increasing subscription revenue growth through increased hardware sales. Hardware sales represented a smaller portion of the sales mix for the three and twelve months ended December 31, 2018, compared to the three and six months ended December 31, 2017 as a result of large enterprise customer deployments in 2017. The sales mix has an impact on gross profit and gross margin due to the gross margin differential between the revenue types. The higher the weighting of the subscription revenue, the higher the gross profit. The Company views the sales mix as an important indicator of current and future performance in both the short and long term. The short-term view targets a higher mix of hardware sales as that will directly correlate to increased subscription revenue in future periods. The long-term view is to have a higher weighting of subscription revenue yielding higher gross profit margins and creating sustainable predictable revenue and gross profit streams.

The remainder of this page is left blank intentionally

ii) Revenue by Lead 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 and 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.

	Three months ended December 31		Twelve months ended December 31	
Lead Source	**2018**	**2017**	**2018**	**2017**
Direct Sales	54.9%	60.0%	69.4%	41.0%
Channel & Dealer Sales	45.1%	40.0%	30.6%	59.0%
	100.0%	100.0%	100.0%	100.0%

The above table is calculated based on hardware sales leads and excludes subscription revenue. For the three months ended December 31, 2018, the increase in channel leads is due to increased activity in channel selling and the establishment of new channel partners. For the twelve months ended December 31, 2018 the decline in channel leads from the prior year is due to a significant enterprise sale of the connected gas solution through a channel partner in 2017.

iii) Subscription Revenue by Vertical

The Company has a diversified customer base which is spread across multiple verticals. The Company 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.

	Three months ended December 31		Twelve months ended December 31	
Vertical	**2018**	**2017**	**2018**	**2017**
Oil and Gas	50%	27%	49%	42%
Urban Services	13%	18%	11%	12%
Rentals and Leasing	13%	11%	9%	3%
Construction	7%	8%	11%	11%
Transport	7%	8%	7%	7%
Forestry	2%	7%	2%	10%
Other	8%	21%	11%	15%
	100%	100%	100%	100%

iv) Enterprise Customers

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

Enterprise sales will cause the largest volatility in revenue due to the nature and size of the hardware sale. The spike in hardware revenue is 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 monthly subscription revenue.

Strategically the Company targets to complement Small Medium Business **("SMB")** sales with targeting enterprise customers who have a high volume of assets to maximize future subscription growth. The following table is based on subscription revenue percentage for each customer type.

	Three months ended December 31		Twelve months ended December 31	
Revenue by customer type	**2018**	**2017**	**2018**	**2017**
Enterprise customers	54%	44%	52%	43%
Other customers	46%	56%	48%	57%
	100%	100%	100%	100%

For the three and twelve months ended December 31, 2018 the enterprise customer segment has increased in percentage of subscription revenue, this is primarily due to the completed roll out of a significant enterprise sale in Q4 2017 and the impact of the associated monthly subscription revenue being recognized throughout all of 2018. Certain enterprise customers create volatility within subscription revenue due to the flexibility of hibernation options. Increased hibernations in 2018 from the enterprise segment offset the growth realized from new enterprise subscriptions in 2018.

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:

- **Honeywell Life Services** — *Gas Detection Product*
- **The Driving Force** — *White label re-seller for fleet management services*
- **Bell Mobility** — *Bill on Behalf National Partnership*
- **Telus** — *National Marketplace Bill on Behalf Partnership*
- **Keep Truckin** — *Reseller partnership for ELD solutions*

GROSS PROFIT AND GROSS MARGIN

The overall gross margin is dependent on the mix of hardware and subscription sales in the period. Hardware sales generate lower gross margins than subscription revenue. Hardware margins are directly correlated to volume, as larger volume orders are typically offered at reduced margins. The timing and size of one-time hardware sales are uncertain and therefore create periodic margin volatility.

Gross margin on subscription revenue was 69% for the three months ended December 31, 2018 and 72% for the year ended December 31, 2018 compared to 74% and 67% for the three and twelve months ended December 31, 2017. Subscription margin was lower for Q4 2018 versus Q4 2017 due to the impact of channel sales whereby lower margin is yielded in exchange for co-selling and co-marketing arrangements. Subscription margin increased for the twelve months ended December 31, 2018 versus 2017 due to realized economies of scale and improved data management. The Company aims to drive further cost reductions against its core solution offering and realize further cost optimization in its subscription with a goal to increased gross margin in future periods.

Gross margin on hardware revenue was 15% for the three months and 10% for the twelve months ended December 31, 2018, compared to 3% and 8% for the three and twelve months ended December 31, 2017 respectively. The improvement in hardware gross margin in 2018 is due to the significant enterprise sale in 2017 and the lower margin associated with the high volume hardware sale. The Company will continue to target enterprise customers due to the large impact on subscription revenue from high volume hardware sales.

OPERATING EXPENSES

Operating expenses are segmented into four categories based on function and include share-based compensation. Government rebates such as SR&ED are applied against the expense in the period the rebate is received. This was the case in 2017 with the receipt of an SR&ED rebate relating to 2016 which was applied against technology expense.

	Three months ended December 31				Twelve months ended December 31			
Operating expenses	**2018**	**2017**	**Change**	**Change**	**2018**	**2017**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
General and administrative	540	882	(342)	-39%	2,695	3,156	(461)	-15%
Sales and marketing	290	528	(238)	-45%	1,366	1,786	(420)	-24%
Service and Support	128	184	(56)	-30%	589	751	(162)	-22%
Technology	486	424	62	15%	1,971	1,153	818	71%
Total Operating Expense	1,444	2,018	(574)	-28%	6,621	6,846	(225)	-3%

General and Administrative ("G&A") Expense

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 decreased by $342 thousand for the three months ended December 31, 2018 and $461 thousand for the twelve months ended December 31, 2018 compared to the same period in 2017. The decrease in G&A expenses is due to a decrease in overall expense structure and a decrease in share based compensation expense.

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 expense decreased by $238 thousand for the three months ended December 31, 2018 and $420 thousand for the twelve months ended December 31, 2018 compared to the same period in 2017. The decrease in expense is due to lower sales commissions paid as a result of lower hardware sales in 2018, a reduction in wages and salaries expense and lower share-based compensation expense.

Service and Support Expense

Service and support expense include salaries, benefits, share-based compensation and other costs related to our customer and technical support, implementations and project management personnel. Service and support expense decreased by $56 thousand for the three months ended December 31, 2017 and $162 thousand for the twelve months ended December 31, 2018, compared to the same period in 2017. The decrease in service and support costs is due to lower wages and salaries expense as well as lower project-based costs related to the implementation of the significant enterprise sale in 2017.

Technology Expense

Technology expenses consist of employee salaries, share-based compensation, benefits and expenses related to product development activities, consultant fees and other expenses associated with software development and hardware integration. The Company records the impact of government assistance from the Scientific Research and Experimental Development program **("SR&ED")** as a reduction in technology costs in accordance with the Company's accounting policy for government assistance. Through research and development **("R&D")** the Company continues to develop and evolve the Trakopolis platform to focus on scalability to align with subscriber growth projections.

Technology expense was consistent with the prior period for the three months ended December 31, 2018, the moderate increase in expense of $62 thousand attributable to hosting and licensing fees as a result of a higher number of subscribers on the Trakopolis platform. For the twelve months ended December 31, 2018 compared to the prior year, the increase in technology expense by $818 is in part due to the SR&ED rebate received in 2017 that offset technology expenses. Increased technology expenses also related to licensing and hosting costs which are directly related with increased subscribers as well the investments in the first half of the year in ELOG software.

FINANCE EXPENSE

	Three months ended December 31				Twelve months ended December 31			
Finance expense	**2018**	**2017**	**Change**	**Change**	**2018**	**2017**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Derivative fair value (gain) loss	(1)	(35)	34	-97%	28	64	(36)	-56%
Interest on debt and loans	219	73	146	200%	585	307	278	91%
Other expense	28	10	18	180%	96	27	69	256%
Accretion interest	34	77	(43)	-56%	230	220	10	5%
Loss(gain) on foreign exchange	176	-	176	100%	229	-	229	100%
Total Finance Expense	456	125	331	265%	1,168	618	550	89%

Finance expenses consist of interest on debt and loans, bank charges, other expense/income and accretion expense. Finance expenses increased by $331 thousand for the three months ended December 31, 2018, compared to the same period in 2017. The increase is primarily due to increased interest expense and costs associated with the debt transactions in the period that were classified as interest expense. This includes accelerated accretion and early payment penalties as it related to the replacement of debt facilities.

Finance expenses increased by $550 thousand for the twelve months ended December 31, 2018, compared to the twelve months ended December 31, 2017. The increase is primarily due to the increase in interest expense and costs associated with the debt transactions in the period. In addition, translation-related foreign exchange losses were incurred relating to debt facilities denominated in US dollars.

The remainder of this page is left blank intentionally

QUARTERLY PERFORMANCE

The table below 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, 2018. 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.

(in thousands)	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
Subscription	1,180	1,174	1,168	1,213	1,158	988	909	889
Hardware and other	420	373	432	378	666[4]	3,642[4]	678	571
Total revenue	1,600	1,547	1,600	1,591	1,824	4,630	1,587	1,460
Gross profit	856	921	860	943	911	765	776	763
Gross margin	54%	60%	54%	59%	50%	17%	49%	52%
EBITDA[1]	(589)	(759)	(937)	(756)	(717)	(1,013)	(1,083)	(369)[3]
Adjusted EBITDA[1]	(538)	(676)	(850)	(662)	(798)	(846)	(769)	(296)[3]
Net Loss	(1,058)[5]	(810)	(1,100)	(1,275)	(916)[2]	(1,192)	(1,298)	(689)[3]

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

2 Net Loss in 2017 includes gain of $391 thousand on the derecognition of the ELOG intangible asset as per Note 19 of the financial statements.

3 Includes 2016 SRED rebate of $403k received in 2017 and recognized as a reduction in Technology expenses.

4 During the three months ended September 30, 2017 and December 31, 2017 the Company recognized hardware sales from a significant enterprise sale.

5 During the period the Company incurred significant finance expenses associated with debt restructuring.

The Company recorded a net loss of $1.06 million for the three months ended December 31, 2018. The net loss arises from significant finance and transactional expenses related to the restructuring of its debt facilities as described in the Liquidity and Capital Resources section. Throughout 2018, the absence of a large enterprise sale, coupled with subscription volatility from hibernations by enterprise customers negatively impacting revenues and operating income. The Company has positioned its products to target the enterprise and SMB market through both direct and channel sales in 2019 as well able to reduce operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective when managing capital is to ensure that 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 in multiple ways including funds from operations, available cash balances, new debt instruments, equity issuances and government funding.

These consolidated financial statements have been prepared on 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 twelve-month period ended December 31, 2018, the Company incurred a loss of $4.2 million and utilized funds amounting to $2.8 million 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, continue receiving financial support from its shareholders and to obtain new financing. 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 consolidated 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 these 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 December 31, 2018, the Company had working capital deficit of $1.8 million, a decrease of $3.5 million from December 31, 2017. The decrease in working capital is a result of restructuring the Company's primary debt facility from a long-term facility to a new short-term term loan. As at December 31, 2018, the Company had a cash and cash equivalent balance of $1.9 million, a decrease of $107 thousand from $2.0 million at December 31, 2017. The decrease in cash and cash equivalents was due to the following:

i) Operating activities

The Company utilized funds amounting to $2.8 million in operations during the twelve months ended December 31, 2018. The funds are mainly related to cash used in operations of $3.0 million and changes in non-cash working capital of ($0.2) million.

ii) Investing activities

During the period, the Company had minimal cash flow impact due to investing activities.

iii) Financing activities

The Company had a cash inflow of $2.7 million from financing activities for the twelve months ended December 31, 2018. The inflow is mainly related to the establishment of new term debt facility and proceeds from a convertible debenture offering during the year. The Company incurred $524 thousand of cash expenses in financial transaction costs associated with the restructuring of its debt and resulted in total debt repayments of $3.6 million. Cash expense of $35 thousand was incurred for costs associated with the convertible debenture.

DEBT

As at December 31, 2018 the Company debt comprised of shareholder loans, convertible debt and a term loan.

a) Shareholder Loans

On February 8th, 2018 both loans were amended with such amendment treated as an extinguishment of the shareholder loans with the associated equity value reclassed to contributed surplus. The amended shareholder loans are comprised of a $50,000 convertible term loan due on February 8th, 2023 that has a 10% annual interest rate and a $175,000 convertible term loan due on February 8th, 2023 that has a 10% annual interest. Both shareholder loans include a conversion feature that provide the lender the right to convert a full or partial amount of the principal outstanding at any point throughout the term of the loan at a 20% discount to the last 20 days weighted average price of the common shares. The conversion feature is classified as a derivative liability due to the variable number of common shares that could be realized at time of conversion. As at December 31, 2018 the derivative liability was calculated at $45,263 and included in the current shareholder loan balance.

b) Term Debt

On November 15th, 2018 the Company terminated its previous debt facility (the "SVB Facility") and replaced it with a 12-month USD $3.0 million secured term Loan (the "Term Loan"). The Term Loan bears interest at an annual rate of prime (US) plus 4.5%. In accordance with the terms of the Term Loan, the Company is not required to make any interest or principal repayments until maturity. The Company used the proceeds to pay out the SVB Facility 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 Term Loan is secured against all the assets of the Company and its subsidiaries.

As part of the Term Loan arrangement, the Company paid debt issuance costs of $648,243 o which $380,502 is in cash expense and as at December 31, 2018 $332,939 of the debt issuance costs remained unamortized against the carrying value of the facility. The remainder of the dent issuance costs is in the form of warrants and these costs will be amortized over the remaining term of the facility. The provisions of the Term Loan provided for the issuance of 1,307,620 purchase warrants that allow for the lender to purchase one common share at an exercise price of $0.34 per common share and which expire on November 15, 2023. The fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants was calculated to be $267,741 using the following assumptions:

- Risk free interest rate: 2.21%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

At the time of issuance of the Term Loan, the Company was subject to the following covenants, whereby it shall not:

i) Permit its Liquidity, as of any date, to be less than $1,000,000: "Liquidity" means, with respect to the Company, 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 following amounts as at the last day of each of the following fiscal quarters of the Company:

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 Company. "Net Retention Rate" means, as measured for any month (a "Testing Month"), the quotient, expressed as a percentage, of (i) the monthly recurring revenue ("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.

As at December 31, 2018 the Company was compliant with all financial covenants.

Subsequent to year end, on March 15th, 2019 the Company and the lender agreed to amend the Term Loan. The Company made a principal repayment of USD$200,000 of which $102,240 was applied against accrued interest and the remainder applied as a permanent reduction of the principal amount. The amendment to the loan agreement revised the covenants to as follows:

i) Permit its Liquidity, as of any date, to be less than $800,000: "Liquidity" means, with respect to the Company, 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 following amounts as at the last day of each of the following fiscal quarters of the Company:

1. 4th quarter of 2018 – USD $3,500,000;
2. 1st quarter of 2019 – USD $3,575,000;
3. 2nd quarter of 2019 – USD $3,775,000; 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.

c) Convertible Debt

On June 21, 2018 the Company completed a non-brokered private placement of 1,100 units ("Units") comprised of $1,000 unsecured subordinated convertible debentures bearing an interest rate of 8% and 55.556 common shares in the capital of the Company, raising gross proceeds of $1,100,000. The common shares component of the Units were recognized as a financing fee and upon closing the Company issued 61,112 common shares. The convertible debentures mature on September 30, 2020 with interest payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The first interest payment was on September 30, 2018.

As part of the convertible debenture arrangement, the Company paid debt issuance costs of $85,312 inclusive of the value of the common shares issued. As at December 31, 2018, $64,773 remained unamortized against the carrying value of the debenture. These costs will be amortized over the remaining term of the loan.

The debentures are convertible into common shares at the option of the debenture holder at any time at the conversion price of $0.90 per common share. Additionally, the Company may force the conversion of the principal amount of the then outstanding debentures at the conversion price on not more than 60 days' and not less than 30 days' notice should the volume weighted average price of the Common Shares on the TSX Venture Exchange be greater than $1.15 for any period of 30 consecutive trading days preceding the date of the notice. The conversion feature was fair valued on the date of issuance at $163,702. This amount was allocated to the equity value of the convertible debenture.

The Company may prepay the debentures at any time, in whole or in part, by payment of any portion of the principal amount plus a premium of 5% plus accrued but unpaid interest on such portion of the principal amount being paid

EQUITY

Following is a summary of the outstanding equity instruments including common shares, warrants and options as at December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
	# shares	# shares
Common shares	26,152,405	26,069,379
Warrants	4,003,815	2,566,195
Options	2,453,475	2,453,475

Common shares issued in 2018:

i) During the period ended December 31, 2018, the Company issued 21,914 common shares as equity-based retention compensation to management in accordance with vesting schedules set out in executive employment contracts.

ii) During the period ended June 30, 2018, the Company issued 61,112 shares upon the issuance of subordinated convertible debentures

Warrants issued in 2018:

(i) During the year ended December 31, 2018 the Company issued 130,000 warrants as part of fees associated with an amendment of the SVB Facility. Each purchase warrant entitles the holder to acquire one common share $0.70 per share and expires October 24, 2023. The fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants has been recorded as a finance expense, the debt facility was retired on November 24, 2018 and was calculated to be $24,505 using the following assumptions:

- Risk free interest rate: 2.12%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

The Company issued 1,307,620 warrants during the year ended December 31, 2018 under the terms of the Term Loan. Each purchase warrant entitles the holder to acquire one common share at $0.34 per share and expires November 15, 2023. In accordance with Company's accounting policy, he fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants was calculated to be $267,741 using the following assumptions:

- Risk free interest rate: 2.21%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

Share option plan:

The Company has a stock option plan to encourage ownership of the Company's common shares by its directors, officers, employees and other eligible service providers. The exercise price of each option equals the Company's stock price on the date of the grant. Stock option terms and vesting periods are specified in a stock option plan approved by the Board of Directors. The Board of directors has the full power to administer the issuance of options. Option activity is as follows:

	Number of share options	Weighted Average Exercise Price
Balance, June 30, 2016, December 31, 2016	811,475	$1.50
Issued (i)	1,642,000	1.06
Balance, December 31, 2017	2,453,475	1.21
Issued	-	-
Balance, December 31 2018	2,453,475	1.21
Exercisable at December 31, 2018	1,862,750	$1.24

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company incurs contractual obligations. There have been no material changes in the contractual obligations other than in the normal course of business, during the period ended December 31, 2018. The expected maturities of the Company's contractual obligations as at December 31, 2018 are as follows:

	2019	2020	2021	2022	2023	Total
Finance Leases	30,653	11,661	3,060	-	-	45,374
Office Lease	366,030	-	-	-	-	366,030
Debt interest payments	438,168	88,560	22,500	22,500	-	571,728
Debt principal repayments	2,902,240	-	-	-	-	2,902,240
Total	3,737,091	100,221	25,560	22,500	-	3,885,372

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.

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:

	Three months ended December 31		Twelve months ended December 31	
	2018	**2017**	**2018**	**2017**
Net loss	(1,058)	(916)	(4,243)	(4,095)
Add:				
Amortization	13	74	34	294
Finance expense	456	125	1,168	619
EBITDA	**(589)**	**(717)**	**(3,041)**	**(3,182)**
Add:				
Gain on insured property and equipment	-	-	-	(23)
Gain on disposal of intangible asset	-	(391)	-	(391)
Share-based compensation	51	310	316	888
Adjusted EBITDA	**(538)**	**(798)**	**(2,725)**	**(2,708)**

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements 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 December 31, 2018, the Company does not have any off-balance sheet arrangements other than operating leases.

RELATED PARTY TRANSACTIONS

The shareholder loans are held by a director of the Company and a relative of the director. During the period, the Company paid $5,000 in interest expense to the director for interest owed on one of the shareholder loans and interest expense of $17,500 to the relative of the director. Both shareholder loans were amended in the period as set out in note 5 of the financial statements.

SUBSEQUENT EVENTS

Subsequent to year end, on March 15th, 2019 the Company and the Term Loan lender agreed to an amendment of the Term Loan. The Company made a principal repayment of USD$200,000 of which $102,240 was applied against accrued interest and the remainder applied as a permanent reduction of the principal amount. The amendment to the loan agreement revised the covenants as per note 6(a) of the financial statements

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. In particular, 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 anticipated growth 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. During the twelve months ended December 31, 2018, The Company was engaged in contracts with a customer, that individually attributes to approximately 16% of the Company's total sales, and 9% accounts receivable remained outstanding as at December 31, 2018.

(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.

The remainder of this page is left blank intentionally

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 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.

FURTHER INFORMATION

Additional information relating to the Company, including the Company's most recent Annual information form, is available on the Company's SEDAR company profile www.sedar.com and on the Company's website at www.trakopoliscorp.com