MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAKOPOLIS IOT CORP.

For the three and six months ended June 30, 2017 and 2016

General

This Management's Discussion and Analysis ("MD&A") contains important information about our business and our performance for the three and six months ended June 30, 2017. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2017.

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 July 26, 2017, 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 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, government and several others. Trakopolis enables the internet of things for end users and Original Equipment Manufacture ("OEM") with our open, agnostic, enterprise grade platform. We differentiate ourselves primarily from our open collaborative technology strategy but also in our sales approach, contract flexibility and client care.

Trakopolis is a world class, comprehensive, enterprise grade, Internet of Things ("IoT") Platform that includes features like:

- Hardware agnostic – unlimited choices
- IoT Platform – designed to connect all assets
- Advanced Application Program Interface ("API") – experts in integration
- Customer driven development
- Cloud based – unlimited scale, hosted Microsoft cloud
- Power Business Intelligence ("BI") Integration – user based advanced analytics
- Custom IoT solutions
- Fleet tracking and driver score card
- Integration services
- Mobile – smart phones and tablets
- Honeywell ConneXt Lone Worker
- Engine diagnostics
- GIS mapping and lease road routing
- CanHAUL – transportation freight matching app
- Asset tracking with comprehensive reporting

In the last 3 months, the Company has experienced increased sales demand across target verticals with our new products, including a substantial contract with a large enterprise that is planned to be rolled out over Q3 & Q4 2017. The Company has also focused on expanding business development opportunities with new strategic partnerships and hopes to solidify these in future periods. These opportunities could expand the geographical reach of our sales force across our core product segments.

We have made initial sales of two new products, each with very large addressable markets that create revenue generating opportunities for the Company and further differentiate us from our competitors. These include:

- Electronic logging capability which provides Trakopolis with a complete platform to allow fleet operators to comply with the Federal Motor Carrier Safety Association's ("FMCSA") announced Electronic Logging Device ("ELD") mandate in the United States of America, that is expected to come into effect in 2017. The Company expects a similar requirement in Canada to follow. The ELD mandate requires commercial vehicle drivers that are required to keep Records of Duty Status ("RODS") logs to transition to ELD-based records over the two-year transition period beginning in December 2017.

- Honeywell's ConneXt Lone Worker product helps companies ensure the safety of workers in the energy, utility and construction industries, where employees often work in remote locations outside of cell phone range. The solution includes a wearable, wireless gas detector, a satellite uplink for the worker's motor vehicle and Cloud-based technology from Trakopolis to optimize field operations. The technology also enables workers to alert the company immediately if they become injured and need help – even if they are out of cell phone range.

We believe that large enterprise customers represent the greatest market opportunity given it is underpenetrated. We will target the enterprise customers to compliment selling to SMBs ("small medium business") in many verticals, our technology strategy targets enterprises who need greater functionality, security, analytics, configurability, integration and with the agile ability to include customized functionality. Over the last six months, we have 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 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.

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, government and several others.

The Company has a long-held strategy to focus on building world class software and go to market with channel partners. Collaboration is key to our success and leverages established sales channels and best in class technology partnerships that create exponential opportunity for Trakopolis.

Financial Highlights

	Three months ended June 30				Six months ended June 30			
(in thousands)	**2017**	**2016**	**Change**	**Change**	**2017**	**2016**	**Change**	**Change**
	($)	($)	($)	(%)	($)	($)	($)	(%)
Revenue	1,587	1,141	446	39%	3,048	2,412	636	26%
Cost of sales	776	440	336	76%	1,473	1,014	459	45%
Gross profit	811	701	110	16%	1,575	1,398	177	13%
Gross Margin	51%	61%	-	-10%	52%	58%	-	-6%
Net (loss) income	(1,298)	(1,230)	(68)	-6%	(1,987)	(1,549)	(438)	-28%
EBITDA[1]	(1,083)	(1,079)	(4)	-%	(1,452)	(1,243)	(209)	-17%
Adjusted EBITDA[1]	(769)	(752)	(17)	-2%	(1,064)	(708)	(356)	-50%
Share Capital	24,103	12,624	-	-	24,103	12,624	-	-
Total Assets	5,186	2,180	-	-	5,186	2,180	-	-
Total Liabilities	4,917	6,218	-	-	4,917	6,218	-	-

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

Three months ended June 30, 2017 vs 2016

The Company generated revenue of $1,587 thousand for the three months ended June 30, 2017, a $446 thousand increase from the same period in 2016. The 39% growth from prior period was driven by increased hardware sales and from units deployed through a strategic partnership in gas detection integration combined with increased subscription revenue generated from a larger subscriber base.

The Company recorded a net loss of $1,298 thousand for the three months ended June 30, 2017, an increased loss of $68 thousand compared to the same period in 2016. The net loss arises from increased sales and marketing and operations expense during the quarter compared to the same period in 2016 as a result of implementing the Company's growth plan.

EBITDA and adjusted EBITDA was $(1,083) thousand and $(769) thousand for the three months ended June 30, 2017, respectively, remaining consistent with the same period in 2016.

Six months ended June 30, 2017 vs 2016

The Company generated revenue of $3,048 thousand for the six months ended June 30, 2017, a $636 thousand increase from the same period in 2016. The 26% growth from prior period was driven by increased hardware sales and from units deployed through a strategic partnership in gas detection integration combined with increased subscription revenue generated from a larger subscriber base.

The Company recorded a net loss of $1,987 thousand for the six months ended June 30, 2017, an increase of $438 thousand compared to the same period in 2016. The net loss arises from increased sales and marketing, operations and general and administrative expenses during the six months compared to the same period in 2016 as a result of implementing the Company's growth plan as well as increased share based compensation expense as a result of stock options issued to directors, management and employees during 2017.

EBITDA was $(1,452) thousand for the six months ended June 30, 2017, a decrease of $209 thousand or 17% compared to the same period in 2016. The decrease in EBITDA in the period is due to increased sales and marketing, operations and general and administrative expenses during the six months compared to the same period in 2016 as a result of implementing the Company's growth plan.

Overall Performance

Revenue and Gross Margin

	Three months ended June 30				Six months ended June 30			
	2017	2016	Change	Change	2017	2016	Change	Change
(in thousands)	**($)**	**($)**	**($)**	**(%)**	**($)**	**($)**	**($)**	**(%)**
Revenue								
Subscription	909	809	100	12%	1,798	1,654	144	9%
Hardware	610	303	307	101%	1,142	726	416	57%
Software development	59	26	33	127%	93	26	67	258%
Other	9	3	6	200%	15	6	9	150%
Total	1,587	1,141	446	39%	3,048	2,412	636	26%
Cost of goods sold								
Subscription	296	281	15	5%	576	537	39	7%
Hardware	480	159	321	202%	897	477	420	88%
Total	776	440	336	76%	1,473	1,014	459	45%
Gross profit								
Subscription	613	528	85	16%	1,222	1,117	105	9%
Hardware	130	144	(14)	-10%	245	249	(4)	-2%
Total[1]	743	672	71	11%	1,467	1,366	101	7%
Gross margin								
Subscription	67%	65%	-	2%	68%	68%	-	-
Hardware	21%	48%	-	-27%	21%	34%	-	-13%
Total[1]	49%	60%	-	-11%	50%	57%	-	--7%

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.

Subscription revenue increased by $100 thousand or 12%, and $144 thousand or 9% for the three months and six months ended June 30, 2017 respectively, compared to the same periods in 2016. The increased subscription revenue is a result of an increased subscriber base realized following hardware sales to new customers and additional sales to existing customer.

The Company's net growth in subscription revenue is a function of managing customer and subscriber retention period over period. The Company considers subscription revenue a primary key performance indicator.

Hardware Revenue

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

Hardware revenue increased by $307 thousand or 101%, and $416 thousand or 57% for the three months and six months ended June 30, 2017 respectively, compared to the same periods in 2016. This is a result of the Company realizing increased sales and from new units deployed through a strategic partnership in gas detection integration.

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 expectation to realize future hardware sales and subscription revenue.

Through the three and six months ended June 30, 2017, software development revenue relates to a strategic partnership in power monitoring and custom transportation software, highlighting the strategic focus on industry diversity and the IIoT ("Industrial Internet of Things") approach.

The software revenue increased by $33 thousand or 127%, and $67 thousand or 258% for the three months and six months ended June 30, 2017 respectively, compared to the same periods in 2016. This is driven by increased demand for customized software development.

Other Revenue

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

Gross Profit and Gross Margin

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

Gross margin on subscription revenue was 68% for the six months ended June 30, 2017 which is fairly consistent with prior periods. A key financial objective of the Company is to increase subscription gross margin in future periods through vendor relations, expanding subscriber base and data management.

Gross margin on hardware revenue was 21% for both the three months and six months ended June 30, 2017 compared to 48% and 34% for the same periods in 2016. The decrease in hardware gross margin is due to sales to enterprise customers being recognized during the period. Enterprise sales are high volume sales which provide the hardware at discounted pricing to obtain the future recurring subscription revenue from the high-volume sales.

Sales Mix

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Percentage of total sales				
Subscription revenue	57%	71%	59%	69%
Hardware revenue	38%	27%	38%	30%
Software revenue	4%	2%	3%	1%
Other revenue	1%	-	-	-
	100%	100%	100%	100%

The Company is focused on increasing subscription revenue growth through increased hardware sales. Hardware sales represented a larger portion of the sales mix for the three and six months ended June 30, 2017, compared to the same period in 2016 as a result of large enterprise customer deployments in the periods. The increased percentage of hardware sales during the period is expected to translate into increased subscription revenue growth going forward as hardware sales have an attached monthly subscription.

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 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		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Lead Source				
Direct Sales	62%	65%	56%	65%
Channel partners and dealers	38%	35%	44%	35%
Total	100%	100%	100%	100%

The above table is calculated based on hardware sales leads and excludes subscription revenue. For the three and six months ended June 30, 2017, the increase in channel partners and dealer leads, is due to an enterprise sale through our channel partner.

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 within.

	Three months ended		**Six months ended**	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Industry				
Oil & Gas	40%	29%	40%	29%
Construction	10%	13%	10%	14%
Forestry	8%	7%	6%	8%
Utility	10%	12%	10%	12%
Transport	9%	14%	11%	14%
Mining	2%	2%	2%	2%
Rental & leasing	11%	11%	10%	9%
Urban services	10%	12%	11%	12%
	100%	100%	100%	100%

The increase in weighting within the oil & gas vertical is due to the enterprise sale recognized during the three months ended June 30, 2017.

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. New relationships with proven products and our API integration allows us to leverage our platform for an all-encompassing enterprise solution.

Enterprises sales will cause the largest volatility in hardware revenue due to the nature and size of the 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.

A key strategy throughout 2017 is to compliment SMB sales with targeting enterprise customers whom have a high volume of assets to maximize future subscription growth.

	Three months ended		**Six months ended**	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Sales by customer type				
Enterprise customers	27%	22%	29%	27%
Other customers	73%	78%	71%	79%
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:

- 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*

Operating Expenses

	Three months ended June 30				Six months ended June 30			
	2017	2016	Change	Change	2017	2016	Change	Change
(in thousands)	**($)**	**($)**	**($)**	**(%)**	**($)**	**($)**	**($)**	**(%)**
Expenses								
General and administrative	928	1,012	(84)	-8%	1,592	1,555	37	2%
Sales and marketing	432	285	147	52%	849	565	284	50%
Operations	186	88	98	111%	340	184	156	85%
Technology	373	396	(23)	-6%	269	337	(68)	-20%
Total expenses	1,919	1,781	138	8%	3,050	2,641	409	15%

General and Administrative Expense ("G&A")

General and administrative 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 $84 thousand or 8% for the three months ended June 30, 2017, compared to the same period in 2016. The decrease is due to increased legal and professional fees recognized in the prior period related to issuance of preference shares, debt restructuring and general corporate matters in preparation for the reverse takeover transaction that occurred in October, 2016. G&A expenses has remained consistent for the six months ended June 30, 2017, compared to the same period in 2016.

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 increased by $147 thousand or 52% for the three months ended June 30, 2017, compared to the same period in 2016. The increase is from implementing the Company's growth plan. The growth plan focuses on increasing sales presence through marketing and expanded salesforce. We have invested and continue to invest, in these costs as we further expand our domestic infrastructure and expand into the USA market. The expansion within North America is facilitated through our partners, direct sales force and enterprise customers.

The increase in sales and marketing during the six months ended June 30, 2017, compared to the same period in 2016 is consistent with the above discussion.

Operations Expense

Operations expense include salaries, benefits, share-based compensation and other costs related to our customer and technical support, implementations and project management personnel. Operations expense increased by $98 thousand or 111% for the three months ended June 30, 2017, compared to the same period in 2016. The increase in operational costs is a result of increased staffing for temporary junior hardware and software developers. The developers are engaged in provisioning and software development related to the purchase order received from an enterprise customer of 1,500 units of Honeywell's ConneXt Lone Worker gas detection solution finalized during Q2 2017. This is a temporary cost, and expected to return to historical levels after completing the purchase order.

Operations expense increased by $156 thousand or 85% for the six months ended June 30, 2017, compared to the same period in 2016. The increased operational costs are consistent with the above discussion.

Technology

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 and to focus on scalability to align with subscriber growth projections.

Technology costs decreased by $23 thousand or 6% for the three months ended June 30, 2017, compared to the same period in 2016. The decrease in technology costs, is a result of IRAP ("Industrial Research Assistance Program") funding received related to the development of the ELOG software.

Technology costs for the six months ended June 30, 2017, and 2016 are lower than the three months ended June 30, 2017, and 2016 due to SR&ED being received during Q1 in both periods and recorded as a reduction of expenses.

Finance Expense

	Three months ended June 30				Six months ended June 30			
	2017	2016	Change	Change	2017	2016	Change	Change
(in thousands)	**($)**	**($)**	**($)**	**(%)**	**($)**	**($)**	**($)**	**(%)**
Expenses								
Derivative liability fair value adjustment	(11)	0	(11)	100%	108	0	108	100%
Interest and debt on loans	76	121	(45)	-37%	154	244	(90)	-37%
Other expense	0	1	(1)	100%	7	3	(20)	133%
Accretion expense	73	24	49	204%	121	50	71	142%
Total expenses	138	146	(8)	-5%	389	297	92	31%

Finance expenses consist of interest and debt on loans, bank charges, other expense (income) and accretion expense. Finance expenses decreased by $8 thousand for the three months ended June 30, 2017, compared to the same period in 2016. The decrease for is primarily due to the fair value adjustment on the warrant liability and reduced interest rate associated to long and short-term loans.

Finance expenses increased by $92 thousand for the six months ended June 30, 2017, compared to the same period in 2016. The increase for is primarily due the derivative liability fair value adjustment offset by reduced interest rate associated to long and short-term loans.

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 period ended December 31, 2016. 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.

	2017		2016				2015	
(in thousands)	Q2	Q1[1]	Q4	Q3	Q2	Q1[1]	Q4	Q3
Subscription	909	889	842	793	809	844	884	885
Hardware and other	678	571	367	372	332	427	236	337
Total revenue	1,587	1,460	1,209	1,165	1,141	1,271	1,120	1,222
Gross Profit	776	763	640	652	704	697	586	701
Gross Margin	49%	52%	53%	56%	62%	55%	52%	57%
EBITDA[2]	(1,083)	(369)	(3,838)	(1,103)	(1,079)	(163)	(943)	(1,433)
Net loss	(1,298)	(689)	(3,824)	(1,292)	(1,231)	(318)	(1,093)	(1,554)
Adjusted EBITDA[2]	(769)	(296)	(522)	(974)	(606)	45	(698)	(661)

[1] During the three months ended March 31, 2017 and 2016, the Company received SR&ED rebates of $403 thousand and $479 thousand respectively.

[2] Refer to "Non-GAAP Measures".

The Company recorded a net loss of $1,298 thousand for the three months ended June 30, 2017. The net loss arises from increased sales and marketing and operations expenses during the period as a result of implementing the Company's growth plan. Excluding the non-cash expenses adjusted EBITDA is $(769) thousand.

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 such as the Scientific Research and Experimental Development (SR&ED) rebates and grants.

These condensed consolidated interim 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 six month period ended June 30, 2017, the Company incurred a loss of $1,986,763 and utilized funds amounting to $1,452,043 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 to 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.

These 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 these condensed consolidated interim 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 June 30, 2017, the Company had working capital surplus of $1.8 million, a decrease of $1.5 million from December 31, 2016. As at June 30, 2017, the Company had a cash and cash equivalent balance of $2.2 million a decrease of $2.1 million from $4.3 million at December 31, 2016. The decrease in cash and cash equivalents was due to the following:

Operating activities

The Company utilized funds amounting to $1,452 thousand in operations during the six months ended June 30, 2017. The funds are mainly related to cash used in operations of $1,136 thousand and changes in non-cash working capital of $316 thousand.

Investing activities

During the period, the Company had cash flows of $1,132 from investing activities. This was to purchase new computer equipment to replace existing insured equipment which was lost due to theft. The Company realized a gain of $24 thousand on the purchase of new computer equipment.

Financing activities

The Company had a cash outflow of $632 thousand from financing activities for the six months ended June 30, 2017. The outflow is mainly related to the principal repayment of debt. During the period, the Company repaid $460 thousand of the institutional debt and $52 thousand of shareholder loans. The repayment of institutional debt was a result of the monthly 2% debt repayments as well as $403 thousand of SR&ED tax credits used to reduce the debt facility. Additionally, the Company used $75 thousand for restricted share units redeemed for cash related to a director settlement agreement entered in 2016.

Debt

As at June 30, 2017, the Company's long term debt consisted of a principal loan with $1,748 thousand outstanding at 11% annual interest with a maturity date of April 28, 2019. The Company is required to make principal payments of 2% of the principal balance on a monthly basis, monthly interest payments and assign any Scientific Research and Experimental Development ("SR&ED") rebates received in cash against the principal balance. If the combined SR&ED and 2% monthly repayments are equal to or greater than 24% of the principal amount, no further payments shall be required until the trailing twelve months principal payments are less than 24% of the principal amount as of the applicable payment date. If the SR&ED rebates received and applied to reduce the outstanding facility balance in any twelve-month period are less than 10% of the outstanding principal at the beginning of the specified period, the Company shall make an additional payment at the end of that period.

During the six months ended June 30, 2017, the Company has received $403 thousand from the SR&ED tax incentive program. These funds were used to repay the long term debt. Under the terms of the debt agreement, the Company has reached the maximum principal repayments over the trailing twelve month period and will not be required to make any further principal repayments until November 2017.

Of the $1,748 thousand outstanding at June 30, 2017, $261 thousand is due for principal repayment within the next twelve months.

The Company's long term debt facility requires compliance with the following financial covenants:

(i) Working capital shall be at least $500,000 at the end of each calendar month:

(ii) The ratio of Current Assets to Principal amount outstanding expressed as a percentage, shall be equal to or greater than the percentages set forth below:

April 30, 2017 - June 30, 2017	July 31, 2017 - December 31, 2017	January 31, 2018 - June 30, 2018	July 31, 2018 - Maturity
85%	100%	110%	125%

(iii) At the time of relevant testing date, the Company's cash runway must be equal to or greater than 9x the average trailing 3 month period monthly (including the month in which the testing date falls) burn rate. Burn is equal to the average monthly net loss, if any, over the preceding three month period adjusted for hardware gross margin, non-cash items and debt repayment. To calculate adjusted net income (loss), the hardware gross margin during the 3 month period will be subtracted from net income (loss), and the monthly average hardware gross margin from the previous twelve months will be added, the non-cash items will be added back to net income (loss) and debt repayments subtracted. Non-cash items include amortization, accretion, fair value adjustments and stock based compensation.

Prior to June 30, 2017, the Company had received an amendment to the loan facility covenants that states the cash runway is reduced to 7x from 9x for the months of June 2017, July 2017 and August, 2017. Subsequent to this period the cash runway covenant will return to 9x. This amendment was provided to facilitate the roll out of a purchase order received from an enterprise customer.

A summary of the financial covenants compliance as at June 30, 2017 is below:

The Company's loan facility is subject to the following covenants:

	Financial covenant	June 30, 2017
Minimum Working Capital(1) (2)(3)(4)	$500,000	$776,290
Minimum Current Assets to Principal outstanding(2)(3)(4)	85%	197%
Minimum cash runway	7x	7.63x

(1) Working Capital is defined as Current Assets minus Current Liabilities.

(2) Current Assets is defined as cash, cash equivalents and accounts receivable.

(3) Accounts Receivable is defined as all accounts receivable, notes receivable and other debts due or accruing to the Company excluding any amounts overdue by more than 90 days or amounts that the Company reasonably determines are uncollectible.

(4) Current Liabilities is defined as accounts payable and amounts to be paid to creditors within twelve (12) months from the applicable date.

As at June 30, 2017, the Company was in compliance with all applicable covenants related to its long term debt facility

Equity

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

	As at June 30, 2017	As at December 31, 2016
Common shares	23,426,535	23,194,629

(i) During the six months ended June 30, 2017, the Company issued 66,687 common shares upon redemption of RSUs.

(ii) During the six months ended June 30, 2017, the Company issued 159,720 common shares as equity based retention compensation to management in accordance with vesting schedules set out in executive employment contracts.

(iii) During the six months ended June 30, 2017, the Company issued 5,499 common shares for warrants exercised.

As at July 31, 2017, the Company had 23,453,011 common shares outstanding (see subsequent events).

Restricted share units

As at December 31, 2016, the Company received notification that 203,396 RSUs will be redeemed for a cash settlement of $100 thousand, and common shares having an aggregate value of $100 thousand during the calendar year. During the six months ended June 30, 2017, the Company settled 76,273 RSUs for $75 thousand and 50,849 RSUs for 66,687 common shares related to the settlement.

Stock option plan

On May 5, 2017, the Company authorized for issuance 1,270,000 and issued an aggregate of 920,000 stock options, of which 820,000 stock options were granted to directors or officers of the Company. The options vest one third on the grant date, one third January 1, 2018 and one third January 1, 2019. Each option represents the right to purchase one common share of the Company at an exercise price of $1.19 per share for a period of five years from the grant date. The options were valued using the following assumptions:

- Stock price as of grant date: $1.19
- Risk free interest rate: 0.89%
- Expected volatility: 72%
- Expected dividend yield: nil
- Weighted average fair value per option: $0.70

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 Subscription 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 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 costs associated with the RTO transaction. 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 audited consolidated statements of operations and comprehensive loss. 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		**Six months ended**	
(in thousands)	June 30, 2017 **($)**	June 30, 2016 **($)**	June 30, 2017 **($)**	June 30, 2016 **($)**
Net loss	**(1,298)**	**(1,230)**	**(1,987)**	**(1,549)**
Add:				
Amortization and depreciation expense	76	5	145	9
Finance expense	138	146	390	297
EBITDA	**(1,083)**	**(1,079)**	**(1,452)**	**(1,243)**
Add:				
Gain on insured property and equipment	(24)	-	(24)	-
Share based compensation	339	327	412	535
Adjusted EBITDA	**(769)**	**(752)**	**(1,064)**	**(708)**

Critical Accounting Estimates

The preparation of condensed consolidated interim 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 share value, volatility, and expected life.

Off-Balance Sheet Arrangements

As at June 30, 2017, The Company does not have any off-balance sheet arrangements other than operating leases.

Related Party Transactions

During the six months ended June 30, 2017, the Company did not have any related party transactions.

Subsequent events

Subsequent to June 30, 2017, the Company settled 25,425 RSUs for 26,476 common shares.

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 six months ended Jun 30, 2017, The Company was engaged in contracts with a customer, that individually attributes to approximately 10% of the Company's total sales, however an insignificant amount of accounts receivable remained outstanding.

(i) Internal controls:

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, internal controls over financial reporting are not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

(j) 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.

(k) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial obligations. The Company is exposed to this risk mainly in respect of working capital deficits and net losses.

(l) Fair value:

The carrying values of cash, accounts receivable, investment tax credits (SR&ED), accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The difference in fair value and carrying value of shareholder loans and long-term debt is due to the significant difference in interest rates that arises due to the attachment of equity features such as warrants and conversion optionality.

(m) Fair value hierarchy:

Under IFRS, fair values are recorded on the consolidated statement of financial position are classified under a fair value hierarchy that reflects the significant inputs used in making the measurements. Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs use inputs other than quoted prices in level 1 that are observable for the asset or liability either directly or indirectly. Fair values using level 3 inputs are inputs for the assets that are not based on an observable market data.

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.