

Condensed Interim Consolidated Financial Statements (Unaudited) of

BSM TECHNOLOGIES INC.

Three and nine months ended June 30, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated financial statements of BSM Technologies Inc. have been prepared by and are the responsibility of BSM Technologies Inc.'s management. BSM Technologies Inc.'s independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim consolidated financial statements by an entity's auditor.

BSM TECHNOLOGIES INC.

Table of Contents

Three and nine months ended June 30, 2016 and 2015

	<u>Page</u>
Interim Consolidated Statement of Financial Position – (Unaudited)	1
Interim Consolidated Statements of Operations and Comprehensive Income – (Unaudited)	2
Interim Consolidated Statements of Changes in Shareholders’ Equity – (Unaudited)	3
Interim Consolidated Statements of Cash Flows – (Unaudited)	4
Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)	5

BSM TECHNOLOGIES INC.

Interim Consolidated Statement of Financial Position – (Unaudited)
In Canadian Dollars

	Note	As at June 30, 2016	As at September 30, 2015
Assets			
Current assets:			
Cash and cash equivalents		\$ 22,372,885	\$ 23,980,400
Restricted cash and cash equivalents		2,800,000	8,800,000
Accounts receivable		9,363,698	10,017,619
Current portion of investment in finance leases		1,290,853	1,313,242
Inventories		4,309,770	6,508,760
Prepaid expenses and other assets		1,093,290	1,198,156
Total current assets		41,230,496	51,818,177
Property and equipment	5	1,484,002	1,654,426
Long-term investment in finance leases		1,754,356	2,019,388
Intangible assets	5	27,267,666	31,056,241
Deferred tax asset		13,849,577	14,927,642
Goodwill	11	21,357,475	21,558,651
Total assets		\$ 106,943,572	\$ 123,034,525
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		\$ 2,560,558	\$ 3,096,886
Accrued liabilities		3,752,488	6,524,788
Current portion of long term debt	6	1,300,900	3,969,746
Current portion of contingent consideration	10	968,041	1,220,564
Current portion of provisions	7	988,154	1,144,059
Deferred revenue		1,200,444	1,625,235
Total current liabilities		10,770,585	17,581,278
Long-term provisions	7	340,020	399,419
Long-term debt	6	6,368,979	7,527,135
Long-term contingent consideration	10	5,121,326	5,043,426
Shareholders' equity:			
Common shares	4	85,856,375	92,248,536
Contributed surplus		7,694,541	7,768,828
Accumulated other comprehensive income		390,792	539,359
Deficit		(9,599,046)	(8,073,456)
Total shareholders' equity		84,342,662	92,483,267
Total liabilities and shareholders' equity		\$ 106,943,572	\$ 123,034,525

See accompanying notes to the condensed interim consolidated financial statements.

'Andrew Gutman' - Director

'Aly Rahemtulla' - Director

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Operations and Comprehensive Income – (Unaudited)

In Canadian Dollars

	Note	Three months ended June 30		Nine months ended June 30	
		2016	2015	2016	2015
Revenue		\$ 13,092,562	\$ 7,702,811	\$ 44,032,366	\$ 23,204,461
Cost of revenue		5,862,633	3,766,420	19,623,185	11,394,205
Impairment of inventories		-	-	-	389,299
Gross profit		7,229,929	3,936,391	24,409,181	11,420,957
Other income:					
Interest income from finance leases		46,682	32,255	146,851	91,064
Expenses:					
General and administrative		2,280,183	1,328,723	7,649,229	4,446,157
Research and development		2,000,778	1,422,842	6,436,447	4,062,369
Sales and marketing		2,855,123	1,404,539	9,412,059	4,269,604
Acquisition, integration and restructuring expenses		51,155	72,847	931,489	392,344
Fair value adjustments on contingent consideration		(150,000)	-	(150,000)	(1,474,181)
Foreign exchange (gain)/loss		(15,244)	(9,839)	288,343	(407,029)
Interest expense		197,005	179,546	555,511	679,761
Interest received		(39,931)	(46,685)	(143,580)	(190,419)
Total expenses		7,179,069	4,351,973	24,979,498	11,778,606
Net income/(loss) before tax		97,542	(383,327)	(423,466)	(266,585)
Current tax expense	12	-	-	51,594	-
Deferred tax expense (recovery)	12	259,259	139,459	1,050,530	197,852
Net income/(loss) for the period		(161,717)	(522,786)	(1,525,590)	(464,437)
Other comprehensive income/(loss):					
Foreign exchange gain/(loss) on foreign operations, net of tax		(40,000)	(97,724)	(148,567)	287,581
Total comprehensive income/(loss) for the period		\$ (201,717)	\$ (620,510)	\$ (1,674,157)	\$ (176,856)
Earnings/(loss) per share	4				
Basic		\$ (0.002)	\$ (0.012)	\$ (0.018)	\$ (0.010)
Diluted		\$ (0.002)	\$ (0.012)	\$ (0.018)	\$ (0.010)
Weighted average number of shares	4				
Basic		81,126,345	44,898,681	84,899,942	44,976,058
Diluted		81,595,889	44,949,506	85,325,335	45,031,431

Certain comparative amounts have been reclassified to conform with current period presentation. See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Shareholders' Equity – (Unaudited)
In Canadian Dollars

	Note	Common shares	Contributed surplus	Accumulated other comprehensive income / (loss)	Deficit	Total equity
Balance September 30, 2015		\$ 92,248,536	\$ 7,768,828	\$ 539,359	\$ (8,073,456)	\$ 92,483,267
Shares repurchased and cancelled	4	(7,371,265)	-	-	-	(7,371,265)
Share-based compensation expense	4	-	451,730	-	-	451,730
Options, RSUs, DSUs or warrants exercised	4	979,104	(526,017)	-	-	453,087
Net income (loss) for the period		-	-	-	(1,525,590)	(1,525,590)
Foreign exchange gain (loss) on foreign operations, net of tax		-	-	(148,567)	-	(148,567)
Balance June 30, 2016		\$ 85,856,375	\$ 7,694,541	\$ 390,792	\$ (9,599,046)	\$ 84,342,662
Balance September 30, 2014		\$ 53,542,559	\$ 6,744,560	\$ 30,096	\$ (8,090,417)	\$ 52,226,798
Shares repurchased and cancelled	4	(347,364)	-	-	-	(347,364)
Share-based compensation expense	4	-	416,179	-	-	416,179
Options and warrants exercised	4	155,436	(46,685)	-	-	108,751
Common shares issued for RSUs vested	4	35,440	(35,440)	-	-	-
Net income (loss) for the period		-	-	-	(464,437)	(464,437)
Foreign exchange gain (loss) on foreign operations, net of tax		-	-	287,581	-	287,581
Balance June 30, 2015		\$ 53,386,071	\$ 7,078,614	\$ 317,677	\$ (8,554,854)	\$ 52,227,508

See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows – (Unaudited)
In Canadian Dollars

		Nine months ended June 30	
Cash provided by (used in):	Note	2016	2015
Operating activities:			
Net income (loss) for the period		\$ (1,525,590)	\$ (464,437)
Items not involving cash:			
Amortization of property and equipment		610,739	217,482
Amortization of intangible assets		4,199,022	2,360,507
Amortization of financing costs		94,630	43,957
Unrealized foreign exchange loss/(gain)		72,297	-
Deferred tax expense		1,102,124	47,336
Accreted interest on contingent consideration	10	249,563	361,686
Fair value adjustments on contingent consideration		(150,000)	(1,474,181)
Share-based compensation expense	4	451,730	416,179
Impairment of inventories		-	389,299
Change in non-cash operating working capital	8	(747,395)	(863,876)
Net cash provided by/(used in) operating activities		4,357,120	1,033,952
Financing activities:			
Change in restricted cash		6,000,000	(6,000,000)
Repayment of long-term debt	6	(3,690,211)	(2,560,000)
Payment of contingent consideration		(126,444)	(126,444)
Options and warrants exercised	4	453,087	108,751
Common shares repurchased and cancelled	4	(7,371,265)	(347,364)
Net cash provided by/(used in) financing activities		(4,734,833)	(8,925,057)
Investing activities:			
Change in restricted cash related to contingent consideration		-	(2,800,000)
Investment in intangible assets	5	(691,148)	(294,892)
Purchase of property and equipment	5	(440,579)	(89,845)
Net cash provided by/(used in) investing activities		(1,131,727)	(3,184,737)
Impact of foreign currency revaluation on cash and cash equivalents		(98,075)	63,667
Net increase/(decrease) in cash and cash equivalents during the period		(1,607,515)	(11,012,175)
Cash and cash equivalents, beginning of period		23,980,400	23,620,549
Cash and cash equivalents, end of period		\$ 22,372,885	\$ 12,608,374
<hr/>			
Cash paid for interest expense	6	\$ 211,370	\$ 247,093
Cash paid (received) for income tax		-	\$ 5,873

See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)

Three and nine months ended June 30, 2016 and 2015

1. General information

BSM Technologies Inc. and its subsidiaries (together “BSM” or the “Company”) design and sell secure M2M applications to customers in Canada, the USA and around the world. The address of its registered office is 75 International Blvd., Suite 100, Toronto, Ontario, Canada M9W 6L9. The Company is incorporated and domiciled in Canada. The Company is a public company whose shares trade under the symbol "GPS" on the Toronto Stock Exchange ("TSX").

On September 30, 2015, the Company acquired all of the outstanding shares of Webtech Wireless Inc. ("Webtech"), a publicly traded corporation headquartered in Vancouver, British Columbia, Canada. The acquisition was completed pursuant to a statutory plan of arrangement.

These condensed interim consolidated financial statements were authorized for issue by the Company's Board of Directors on August 15, 2016.

2. Basis of presentation

These condensed interim consolidated financial statements for the three and nine months ended June 30, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. The accounting policies in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended September 30, 2015. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2015, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements are presented in Canadian dollars.

Following the acquisition of Webtech, management re-evaluated the presentation of these condensed interim consolidated financial statements. Through this process, management has revised the financial statement presentation of the condensed interim consolidated statements of operations and comprehensive income to reclassify certain operating expenses. Management considers the presentation applied herein to be most closely aligned with the organizational structure and operating nature of the Company following the acquisition of Webtech and provides more relevant, reliable and understandable financial statement presentation. Prior period comparatives for the three-month period ending June 30, 2016 has been reclassified as follows: a \$945,170 increase in cost of revenue; a \$59,982 increase in general and administrative expenses; a \$934,980 decrease in operations expenses; a \$110,546 decrease in research and development expenses; and a \$40,374 increase in sales and marketing expenses. Prior period comparatives for the nine-month period ending June 30, 2016 has been reclassified as follows: a \$2,840,118 increase in cost of revenue; a \$290,887 increase in general and administrative expenses; a \$2,866,027 decrease in operations expenses; a \$385,216 decrease in research and development expenses; and a \$120,238 increase in sales and marketing expenses. These reclassifications align the comparative period presentation to the current period presentation.

There were no changes to the interim consolidated statement of financial position, interim consolidated statements of changes in shareholders' equity or interim consolidated statements of cash flows as a result of the change in the financial statement presentation described above.

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)
Three and nine months ended June 30, 2016 and 2015

3. Significant accounting policies

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those disclosed in note 3 of the Company's annual consolidated financial statements for the year ended September 30, 2015. In preparing these condensed interim consolidated financial statements, the Company is required to make estimates and assumptions to determine the carrying amount of assets and liabilities reported. The significant areas requiring estimates and assumptions in determining the reported amounts relate to: the recoverable amount of goodwill; the valuation of contingent consideration classified as a liability; the valuation of assets and liabilities acquired in a business combination; the valuation of the Company's warranty obligation; and the recoverability of the Company's deferred tax asset recognized in the financial statements.

4. Share capital

a) Common shares:

Authorized: Unlimited common shares (no par value)

	Nine months ended June 30, 2016		Nine months ended June 30, 2015	
	Number	Amount	Number	Amount
Issued and outstanding:				
Balance, beginning of period excluding shares to be issued subject to future performance	87,886,946	\$ 92,248,536	44,955,784	\$ 53,542,559
Shares issued for options exercised	770,545	757,904	75,000	155,436
Shares issued for RSUs vested	67,500	104,100	23,946	35,440
Shares issued for DSUs exercised	114,535	117,100	-	-
Shares repurchased and cancelled ⁽ⁱ⁾	(7,523,500)	(7,371,265)	(348,300)	(347,364)
Shares released from escrow	-	-	-	-
Balance, excluding shares to be issued subject to future performance	81,316,026	\$ 85,856,375	44,706,430	\$ 53,386,071
Shares in escrow:				
subject to Company's performance	54,795	-	54,795	-
subject to earn-out clause – AWI ⁽ⁱⁱⁱ⁾	714,286	-	1,428,572	-
subject to earn-out clause - JMM	699,575	-	699,575	-
subject to earn-out clause - Praxis	500,000	-	500,000	-
Balance of issued shares, end of period	83,284,682	\$ 85,856,375	47,389,372	\$ 53,386,071

- (i) On December 17, 2015, the Company obtained approval for its intention to commence a normal course issuer bid (the "Bid"). Under the terms of the Bid, the Company may acquire up to 8,559,564 common shares from time to time in accordance with TSX procedures, representing approximately 10% of the total public float of common shares. The Bid commenced on December 23, 2015 and will conclude on December 22, 2016, or earlier if the number of common shares sought in the Bid has been purchased. From time to time, the Company may make purchases under the Bid via an automatic securities repurchase plan (a "Plan"), through which the timing for the purchase of common shares, the number of common shares purchased and the price payable for the common shares will be determined by the Company's broker, in its sole discretion. Such purchases are subject to a prescribed maximum price payable, without consultation with the Company, having regard to the price limitations and other terms of the Plan and the rules of the TSX. Other than purchases made in compliance with the provisions of the block purchase exemption of the TSX, daily purchases under the Bid will be limited to a maximum of

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)

Three and nine months ended June 30, 2016 and 2015

51,692 Common Shares which represents 25% of the average daily trading volume on the TSX for the period from October 6, 2015 to November 30, 2015. As at June 30, 2016, the Company did not have an automatic securities repurchase plan in place.

During the three and nine months ended June 30, 2016, the Company repurchased and cancelled nil and 7,523,500 common shares in accordance with the Bid (2015 - 246,500 and 348,300).

- (ii) The contingent payment for achieving specified recurring service revenue performance was not attained in the third anniversary following the closing of the acquisition of Autovision Wireless Inc. (“AWI”). Accordingly, the 714,286 shares remaining in escrow were returned to treasury and cancelled on July 7, 2016.

b) Stock options:

A summary of the Company's stock options for the nine months ended June 30, 2016 and 2015 is presented below:

	Nine months ended June 30, 2016		Nine months ended June 30, 2015	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance, beginning of period	3,211,665	\$ 1.18	1,646,702	\$ 1.89
Issued	-	-	350,000	1.44
Exercised	(780,831)	0.61	(75,000)	1.45
Cancelled	(76,122)	0.81	(6,080)	1.98
Forfeited	(406,302)	1.38	-	-
Expired	(19,218)	0.69	-	-
Balance, end of period	1,929,192	\$ 1.39	1,915,622	\$ 1.82

The following table summarizes information about stock options outstanding as at June 30, 2016:

Exercise price	Number Outstanding	Weighted average remaining contractual life (years)
\$0.00 - \$0.50	349,017	3.28
\$0.51 - \$1.00	384,590	2.71
\$1.01 - \$1.50	823,000	1.58
\$1.51 - \$2.00	12,585	0.37
\$2.01 - \$2.50	95,000	2.99
\$2.51 - \$3.00	-	-
\$3.00 - \$3.50	265,000	2.52
Balance, end of period	1,929,192	2.31

As at June 30, 2016, 1,721,915 stock options were exercisable (2015 - 1,485,623).

During the three and nine months ended June 30, 2016, the Company granted nil and nil stock options to officers, employees and directors (2015 – 25,000 and 350,000). The Company recognized share-based compensation expense of \$12,743 in the three months ended June 30, 2016 (2015 - \$51,202). For the nine months ended June 30, 2016, the Company recognized a recovery of \$70,698 in share-based compensation expense due to a revision in the estimate of stock option forfeitures (2015 - \$152,221 expense).

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)

Three and nine months ended June 30, 2016 and 2015

c) Restricted share units ("RSUs") and Deferred share units ("DSUs"):

During the three and nine months ended June 30, 2016, the Company granted nil and 287,000 RSUs to employees pursuant to the Company's Restricted Share Unit Plan (2015 – 40,000 and 787,725). Each RSU represents the right for the holder to be issued one common share pursuant to vesting conditions over three years. The fair value of RSUs granted was \$0.86 per RSU (2015 - \$0.93 and \$1.48 per RSU), which was the closing price of the Company's common shares on the grant date. Share based compensation expenses of \$89,229 and \$346,528 were recognized in the three and nine months ended June 30, 2016 related to the vesting of RSUs (2015 - \$73,248 and \$193,659). The following is a continuity of the Company's RSUs for the nine months ended June 30:

	Nine months ended June 30, 2016	Nine months ended June 30, 2015
Balance, beginning of period	697,906	45,000
Issued	287,000	787,725
Settled in common shares	(67,500)	(23,946)
Forfeited	(7,500)	(100,873)
Balance, end of period	909,906	707,906

During the three and nine months ended June 30, 2016, the Company granted nil and 204,535 DSUs to directors of the Company pursuant to the Company's Deferred Share Unit Plan (2015 - nil and 47,500). Each DSU represents the right for the holder to be issued one common share and vest upon grant; however, are not exchangeable for common shares until the holder ceases to be a director of the Company. The fair value of DSUs granted was \$nil and \$0.86 per DSU (2015 - \$nil and \$1.48 per DSU), which was the closing price on the date of grant. Share-based compensation expenses of \$nil and \$175,900 were recognized in the three and nine months ended June 30, 2016 related to the vesting of DSUs (2015 - \$nil and \$70,300). The following is a continuity of the Company's DSUs for the nine months ended June 30:

	Nine months ended June 30, 2016	Nine months ended June 30, 2015
Balance, beginning of period	47,500	-
Issued	204,535	47,500
Settled in common shares	(114,535)	-
Forfeited	-	-
Balance, end of period	137,500	47,500

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)

Three and nine months ended June 30, 2016 and 2015

d) Earnings per share:

The effects of any shares issued in escrow that are subject to performance conditions are not included in the calculation of the weighted average number of common shares outstanding on a diluted basis as they are not expected to have a dilutive impact on earnings per share. Shares released from escrow upon meeting contingent requirements are included in the calculation of basic weighted average number of shares outstanding. The calculation of the diluted weighted average number of common shares outstanding does not include stock options that are not expected to be exercised given their negative intrinsic value and includes vested DSUs which are exchangeable for common shares.

	Three months ended June 30		Nine months ended June 30	
	2016	2015	2016	2015
Weighted average number of shares – basic	81,126,345	44,898,681	84,899,942	44,976,058
Dilutive effect of stock options and DSUs	469,544	50,825	425,393	55,373
Weighted average number of shares – diluted	81,595,889	44,949,506	85,325,335	45,031,431

5. Capital assets and intangible assets

Capital asset and intangible asset expenditures for the three and nine months ended June 30, 2016 totaled \$250,506 and \$1,131,727 (2015 - \$64,321 and \$384,737). Of the nine-month expenditure, \$440,579 was for the purchase of servers and general computer equipment and \$691,148 was to fund external consultant costs for the certification of new products as well as for the development of specified technology projects.

6. Long-term debt

On June 30, 2016, the Company's Canadian term facility matured and was fully repaid. As at June 30, 2016, the Company's debt is comprised of a US term facility ("US Term Facility") with the Toronto-Dominion Bank, which is subject to certain conditions (together with the Canadian term facility, the "Facilities"). During the three and nine months ended June 30, 2016 the company made \$2,312,390 and \$3,690,211 in principle repayments against the Facilities. As at June 30, 2016, the USD Term Facility has an outstanding principle balance of \$6,000,000 USD and currently bears interest at the rate of 30 day LIBOR plus 2.00%. Interest paid on the Facilities was \$58,244 and \$211,370 for the three and nine months ended June 30, 2016 (2015 - \$73,363 and \$247,093).

In addition to the US Term Facility, the Company maintains a \$3,000,000 revolving credit facility (the "Revolving Facility"). The Company has no borrowings against the Revolving Facility as at June 30, 2016. Both the term loan and revolving credit facilities are secured by a first ranking security interest over all personal property of the Company. The Facilities contain certain financial covenants including minimum debt leverage and profitability ratios, as well as other non financial covenants that the Company is required to comply with. The Company is in compliance with these covenants as at June 30, 2016. Expected covenant compliance is based upon forward looking financial information. Changes in such information or actual performance may necessitate an amendment to the financial covenants or result in a requirement to repay a portion or all of the Company's indebtedness.

7. Provisions

Within provisions, the present value of lease obligations associated with premises no longer used by the Company increased by \$104,747 as a result of a fair value adjustment. The Company's legal provision was reduced by \$125,000 as a result of the settlement of a legal dispute. There were no significant changes to the Company's provision for its warranty obligation in the three and nine months ended June 30, 2016.

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)
Three and nine months ended June 30, 2016 and 2015

8. Change in non-cash operating working capital

	Nine months ended June 30	
	2016	2015
Accounts receivable	\$ 620,227	\$ 3,424,648
Net investment in finance leases (including long-term portion)	284,927	63,366
Inventories	2,175,275	(780,075)
Prepaid expenses and other assets	101,546	(919,924)
Accounts payable	(523,427)	(1,865,265)
Accrued liabilities	(2,788,694)	(422,701)
Provisions (including long-term portion)	(215,304)	(85,114)
Deferred revenue	(401,945)	(278,811)
Total	\$ (747,395)	\$ (863,876)

During the nine months ended June 30, 2016, accrued liabilities decreased by \$2,772,300, of which \$1,737,613 resulted from the payment of transaction costs associated with the acquisition of Webtech.

9. Segmented information

The Company operates as one operating segment. Segmentation is based on internal reporting and organizational structure, taking into account the different risk and income structures of the key products of the Company. Within the segment, selected financial information is as follows:

(a) Revenue by geography, based upon customer location:

	Three months ending June 30		Nine months ending June 30	
	2016	2015	2016	2015
Canada	\$ 5,272,813	\$ 4,141,066	\$ 19,193,364	\$ 12,003,514
United States	7,253,109	3,356,837	23,560,972	10,592,838
International	566,640	204,908	1,278,030	608,109
Total	\$ 13,092,562	\$ 7,702,811	\$ 44,032,366	\$ 23,204,461

(b) Non-current assets by geography:

	As at June 30, 2016	As at September 30, 2015
Canada	\$ 49,437,007	\$ 53,805,818
United States	16,276,069	17,410,530
Total	\$ 65,713,076	\$ 71,216,348

10. Fair value disclosures

Fair value

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, investment tax credits receivable, 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 net investment in finance leases is

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)

Three and nine months ended June 30, 2016 and 2015

considered to be insignificant given the limited movement in market rates of interest since the initial recognition of these instruments.

Long-term debt is measured using the amortized cost method. Long-term debt has a fair value approximately equal to its face value as at June 30, 2016 and September 30, 2015, due to its market rate of interest. This differs from its carrying value given the Company has netted the transaction costs associated with the debt against the liability.

Fair value hierarchy

The Company's sole financial instrument measured at fair value in the interim consolidated statement of financial position as at June 30, 2016 and September 30, 2015 is the contingent consideration classified as a liability. The fair value of this instrument is determined using level 3 inputs. The Company has no financial assets or liabilities measured using level 1 or level 2 inputs.

The following table shows the reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy.

	Nine months ended June 30, 2016	Nine months ended June 30, 2015
Balance, beginning of period	\$ 6,263,990	\$ 8,540,504
Payments	(126,444)	(126,444)
Accreted interest	249,563	361,686
Fair value adjustments	(150,000)	(1,474,181)
Foreign exchange impact	(147,742)	668,046
Balance, end of period	\$ 6,089,367	\$ 7,969,611

Re-measurement of the fair value of contingent consideration is performed by the Company at each financial reporting period. Key unobservable inputs comprise management's best estimate of the probability that the acquired businesses will achieve specified revenue and EBITDA targets in specified timeframes following the acquisitions respectively. The estimated fair value increases as the estimated probability associated with the revenue and EBITDA targets increase and vice versa for decreases in fair value. During the three-month period ended June 30, 2016, the Company recorded a \$150,000 fair value adjustment to reduce the value of the liability associated with the Autovision Wireless Inc. acquisition to nil. Other than that noted for Autovision Wireless Inc., as at June 30, 2016 there were no significant changes in the performance of the other acquired businesses which would have caused a change in management's estimate of the probability of the respective contingent consideration being earned.

11. Goodwill

The Company performs its impairment test for its sole CGU containing goodwill at each fiscal year end. The Company has not identified any goodwill impairments during the nine months ended June 30, 2016. The Company's assessment could be impacted by a change in market factors or a change in management's estimate of forecasted financial performance. Reasonably possible changes in key estimates and assumptions would not cause the recoverable amount of goodwill to fall below the carrying amount. The following is a summary of the Company's goodwill:

	Nine months ended June 30, 2016	Nine months ended June 30, 2015
Balance, beginning of period	\$ 21,558,651	\$ 15,620,244
Foreign exchange revaluation	(201,176)	(661,397)
Balance, end of period	\$ 21,357,475	\$ 14,958,847

BSM TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements – (Unaudited)
Three and nine months ended June 30, 2016 and 2015

12. Income tax

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full fiscal year. The estimated annual tax rate used for the three and nine months ended June 30, 2016 was 26.5% (2015 – 26.44%). The tax rate used represents management's estimate of the weighted average tax rate expected to be applicable on taxable income in the period. Current tax expense was nil and \$51,594 and deferred tax expense was \$259,259 and \$1,050,530 in the three and nine months ended June 30, 2016 (2015 - current tax expense of \$nil and \$nil and deferred tax expense of \$139,459 and \$197,852).

13. Subsequent events

There are no subsequent events to disclose for the Company.

14. New Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for adoption for reporting periods beginning on October 1, 2015 and have not been early adopted by the Company. The Company has not yet fully assessed the impact of these new standards and amendments or whether these standards and amendments will be early adopted.

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Under the new standard, all leases will be recorded on the interim consolidated statement of financial position of lessees, except those that meet limited exception criteria. As the Company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase to both assets and liabilities upon adoption of the new standard, and changes to the timing of recognition of expenses associated with the lease arrangements, which could be material.