Management's Discussion & Analysis

Three months ended December 31, 2017 and 2016

General Information

This Management's Discussion and Analysis ("MD&A") contains important information about our business and our performance for the three months ended December 31, 2017, as well as forward-looking information about future periods. This MD&A should be read in conjunction with our condensed interim consolidated financial statements and notes thereto for the three months ending December 31, 2017, which have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB); our annual MD&A for the year ended September 30, 2017 ("2017 Annual MD&A"); our audited consolidated financial statements for the years ended September 30, 2017 and 2016 and notes thereto ("2017 Annual Audited FS"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB; our 2017 annual information form ("2017 AIF") for the fiscal year ended September 30, 2017; and our other recent filings with Canadian securities regulatory authorities, which are available on SEDAR at sedar.com.

All dollar amounts within this MD&A are presented in thousands of 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 February 8, 2018 and was approved by the Audit Committee of our Board of Directors on that date. This MD&A includes forward-looking statements and assumptions. See "About Forward-Looking Information" for more information. We, us, our, BSM and the Company refer to BSM Technologies Inc. and its subsidiaries.

In this MD&A, "This Quarter" or "Current Quarter" refers to the three months ended December 31, 2017, which is the first quarter of our 2018 fiscal year. All financial performance commentary compared to the three months ended December 31, 2016 is referred to as the "Prior Period".

This MD&A contains references to certain non-GAAP financial measures such as EBITDA; Adjusted EBITDA; Hardware Revenue; Professional Services Revenue; and Recurring Revenue and key performance indicators (KPIs) such as Subscriber; Subscriber Churn; and ARPU which do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. These non-GAAP financial measures and KPIs should be viewed as a supplement to, not as a substitute for, the Company's results of operations reported under IFRS. These measures are identified, defined and further discussed in the "Non-GAAP Financial Measures and KPIs" section of this MD&A.

Description of the Business

BSM is a publicly traded corporation on the Toronto Stock Exchange (TSX: GPS). BSM is a leading provider of real-time GPS fleet and asset management solutions. As an end-to-end solution provider, BSM offers flexible solutions to its customers from hardware solutions to software solutions. BSM provides real-time, web-based management and tracking of enterprise fleet assets, along with a host of solutions for commercial and government organizations who manage and operate large fleets and who seek to enhance customer service, improve the security of their drivers and vehicles, and lower business costs.

BSM, through its Subsidiaries and affiliates, develops and provides proprietary software-focused solutions to its customers predominantly in Canada and the United States, helping them better manage their assets – both stationary and moving. BSM's customers operate in a broad range of markets, including rail, construction, utility, transportation, services, oil and gas and government. BSM continues to refine its development and go-to-market efforts around target verticals – with a particular emphasis on the government, service, rail and construction markets. BSM's software and hardware solutions are designed to provide a key link between the operations of BSM's customers and the systems these customers use to run their businesses – facilitating cost reduction, improved customer service, greater efficiency, and enhanced security. BSM's solutions promote safety and facilitate compliance with safety, workplace and environmental regulations. BSM's services are delivered over a secure network utilizing the Internet.

BSM is an end-to-end solution provider, meaning BSM designs and manufactures portions of its core solutions, including hardware, firmware and software. Customers typically purchase the hardware and installation services upfront, and then enter into long-term contracts for subscriptions to BSM's software services. BSM sells both its own proprietary hardware and selected third-party hardware. BSM sources its components from a number of different suppliers, some of which are local and some offshore. Generally, the Company develops its own software which enables BSM to control its solutions from end-to-end and provide customized solutions to BSM's customers. Subscription pricing is based upon a fee matrix that includes certain base service levels derived from the number of users and options selected. Base service levels are typically designed to accommodate the perceived needs of a large percentage of the target market, with incremental fees charged for additional services as selected by the customer. Customer subscription pricing can vary depending on a number of factors, including, but not limited to: (i) the service package selected, (ii) the quantity of data transmitted, (iii) the wireless network utilized, and (iv) the number of subscriptions.

BSM relies on acquired, licensed and internally developed technologies to provide its solutions and BSM has several patents and has filed patent applications directed at different aspects of the Company's end-to-end solutions.

For a further description of the business, including a description of the Company's products and services, business operations and risk factors, refer to the Company's 2017 AIF.

Summary of Consolidated Financial Results

Summarized Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

	Three months ended December 31			
($ thousands)	**2017 ($)**	2016 ($)	Change ($)	Change (%)
Revenue	**14,906**	18,363	(3,457)	(19%)
Cost of revenue	**5,952**	7,451	(1,499)	(20%)
Gross profit	**8,954**	10,912	(1,958)	(18%)
Interest income from finance leases	**63**	63	-	0%
General and administrative	**3,124**	3,863	(739)	(19%)
Research and development	**3,750**	3,017	733	24%
Sales and marketing	**3,493**	3,949	(456)	(12%)
Acquisition, integration and restructuring expenses	**696**	335	361	108%
Foreign exchange gain	**(136)**	(400)	264	(66%)
Net interest expense	**142**	484	(342)	(71%)
Total expenses	**11,069**	11,248	(179)	(2%)
Net loss before taxes	**(2,052)**	(273)	(1,779)	652%
Current tax expense	**63**	69	(6)	(9%)
Deferred tax expense	**121**	123	(2)	(2%)
Net loss for the period	**(2,236)**	(465)	(1,771)	381%
Foreign exchange gain (loss) on foreign operations, net of tax	**(22)**	236	(258)	(109%)
Total comprehensive loss for the period	**(2,258)**	(229)	(2,029)	886%
EBITDA[i]	**425**	2,344	(1,919)	(82%)
Adjusted EBITDA[i]	**1,402**	2,818	(1,417)	(50%)

(i) EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other companies. See the "Non-GAAP Financial Measures and KPIs" section of this MD&A for more details, including reconciliations to the most comparable IFRS financial measures.

Revenues by Geography (based upon customer locations)

	Three months ended December 31			
($ thousands)	**2017**		2016	
Canada	**$ 6,233**	**42%**	$ 5,594	30%
United States	**8,469**	**57%**	12,475	68%
International	**204**	**1%**	294	2%
Total revenue	**$ 14,906**	**100%**	$ 18,363	100%

Revenue, Cost of Revenue, Gross Profit and Gross Profit Margin by Revenue Category

	Three months ended December 31			
($ thousands)	**2017 ($)**	2016 ($)	Change ($)	Change (%)
Revenue				
Hardware Revenue[i]	**2,785**	5,547	(2,762)	(50%)
Recurring Revenue[i]	**11,251**	11,561	(310)	(3%)
Professional Services Revenue[i]	**870**	1,255	(385)	(31%)
Total revenue	**14,906**	18,363	(3,457)	(19%)
Cost of revenue				
Hardware cost of revenue	**2,138**	3,142	(1,004)	(32%)
Recurring cost of revenue	**3,000**	3,152	(152)	(5%)
Professional Services cost of revenue	**814**	1,157	(343)	(30%)
Total cost of revenue	**5,952**	7,451	(1,499)	(20%)
Gross profit				
Hardware gross profit	**647**	2,405	(1,758)	(73%)
Recurring gross profit	**8,251**	8,409	(158)	(2%)
Professional Services gross profit	**56**	98	(42)	(43%)
Total gross profit	**8,954**	10,912	(1,958)	(18%)
Gross profit margin ("GP margin")				
Hardware GP margin	**23%**	43%	(20%)	(47%)
Recurring GP margin	**73%**	73%	-	-
Professional Services GP margin	**6%**	8%	(2%)	(25%)
Total gross profit margin	**60%**	59%	1%	2%

(i) Recurring Revenue, Hardware Revenue and Professional Services Revenue do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other companies. See the "Non-GAAP Financial Measures and KPIs" section of this MD&A for more details.

Overall Company Performance and Key Changes in Financial Results

The Company has identified one operating segment for its operations. Overall company performance for the Company's reportable segment is discussed throughout this document and in further detail within this section including a focused discussion on revenue, gross profit, gross profit margin, expenses and profitability.

In our market, we continue to see increased competition as our industry grows and the use case for location-based data solutions is adopted by a larger market and range of users. Industry growth is also a driver for the continuous evolution of our product offering to meet the needs of our customers which are fueled primarily by business efficiency and compliance-based objectives. We continue to invest in research and development expenditures to evolve the capabilities of our products to meet the needs of our customers.

Increased competition and the evolution of customer needs have led to a broader range of solutions available in the market. In some cases, this has led to pricing pressure for our Company where the customers use case is for a non-sophisticated location-based solution only. This has caused the Company to change its go-to market approach to be more flexible and adaptable to allow us to present the best solution for prospective customers, particularly for lower valued solutions. As noted in the description of the business section above, we continue to focus on developing solutions and technologies for customers in the rail, construction, government and service vertical markets to bring higher valued solutions to our customers. We believe that our efforts to build vertically tailored solutions that incorporate data analytics and business intelligence will help to strengthen our product offering in the market.

Period to period variation in Company performance is not materially impacted by seasonality. Generally, customer deployment cycles are not impacted by seasonality, and Recurring Revenue is earned evenly over time. Within the government customer vertical market, a portion of the monitored assets utilizes our winter maintenance solution. This solution will generate a higher revenue per unit during winter months where the solution is active as compared to summer months where these assets are idle and are placed into a standby mode. In aggregate, the impact of this on our aggregate Subscriber base is not significant and variation in ARPU as a result of this seasonality is not material to overall ARPU.

Revenue

The Company has categorized its total revenue into the following revenue categories: Hardware Revenue, Recurring Revenue and Professional Services Revenue. Customers will typically engage with us whereby we earn Hardware, Recurring and Professional Services Revenues over the life of the customer relationship. Disclosing revenue in these categories helps us to explain period over period changes in financial performance.

Hardware Revenue is comprised of revenue recognized for the sale of our proprietary and third-party telematics devices. Hardware Revenue also includes the present value of future payments for hardware sold to customers via a leased financing model. Hardware Revenue decreased by 50% for the three months ended December 31, 2017 as compared to the Prior Period due to a few large volume hardware sales that were shipped in the Prior Period. No similar deals occurred in the Current Quarter.

Professional Services Revenue includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to our customers. Professional Services Revenue decreased by 31% for the three months ended December 31, 2017 which was a result of a lower volume of installation projects and general project management services delivered when compared to the Prior Period. The volume of installation and project management services varies from period to period based on the specific requirements of our customers and the deployments in those periods.

Recurring Revenue is comprised of monthly Application Service Provider ("ASP") fees. ASP fees are charged to customers for access to our data portal and for the data reported from their monitored assets. Recurring Revenue is typically contract in nature and we enter into services contracts with our customers, most of which have a duration of 36 months or longer. ASP fees are generally charged to customers on a per asset basis where those assets are vehicles, equipment or other types of stationary and mobile equipment. These customer assets are defined by us as "Subscribers" or individually, "a Subscriber". Recurring Revenue is billed either annually, quarterly or monthly and is recognized as the services are delivered.

Recurring Revenue decreased by 3% in the Current Quarter as compared to the Prior Period. The decrease is primarily attributable to a lower number of Subscribers in the Current Quarter relative to the Prior Period. The decrease in the number of Subscribers in the Current Quarter relative to the Prior Period is primarily a result of Subscriber Churn associated with certain wireless carriers 2G network shutdown which occurred in the second quarter of fiscal 2017.

For the three months ended December 31, 2017 we achieved gross Subscriber additions of 7,000 and experienced Subscriber churn of 2,600 resulting in a December 31, 2017 Subscriber base of 166,100 up from 161,700 as at September 30, 2017. Average Revenue Per Subscriber ("ARPU") in the Current Quarter was $22.88 compared to $22.97 in the Prior Period.

Gross Profit and Gross Profit Margin

Gross profit margins vary depending on both the mix of hardware product lines sold and the revenue stream mix in the period. Hardware sales typically generate lower gross margins than Recurring Revenue. Furthermore, larger volume hardware sales typically generate lower gross margins than smaller volume sales as a result of volume discounts.

During the three months ended December 31, 2017, gross profit from Hardware Revenue decreased by 73% which was primarily due to the 50% decrease in Hardware Revenue. A combination of lower volume of device shipments and the fixed costs associated with hardware production resulted in the decrease in gross profit on Hardware Revenue. Gross profit from Professional Services Revenue was $56 in the Current Quarter as compared to $98 in the Prior Period. The positive gross profit in the current period is attributable to higher revenue relative to the fixed cost base associated with our GPS locator installation and project management support teams. Gross profit margin from Recurring Revenue was consistent in the Current Quarter relative to the Prior Period. Although Hardware and Professional Services Revenue margins decreased significantly, total gross profit margin increased to 60% in the Current Quarter compared to 59% in the Prior Period due to a higher proportionate volume of Recurring Revenue relative to total revenue in the Current Quarter compared to Prior Period.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of employee salaries related to finance and administration personnel, professional fees (legal, audit, tax and consultants), public company expenses (listing fees, compliance and board of director fees and related expenses) and overhead expenses associated with maintaining the Company's premises. G&A expenses decreased by $739 compared to the Prior Period which is primarily the result of a reduction in professional fees, lower variable compensation, and the elimination of certain employment positions resulting from the restructuring activities that were completed in the last quarter of fiscal 2017 and during the current quarter. G&A expenses include depreciation, amortization and stock based compensation expenses of $490 for the Current Quarter, a decrease of $143 from the Prior Period.

Research and Development Expenses

Research and development ("R&D") expenses consist of employee salaries and expenses related to product development activities, consultant fees, the amortization of acquired technology assets and other expenses associated with software and hardware development. R&D expenses increased by $733 in the three months ended December 31, 2017 compared to the Prior Period. The increase is attributable to: our effort to invest in the technology and human resources required to enhance existing products; introduce new product offerings; and, to consolidate several of our legacy platforms. In aggregate, R&D expenses in the current quarter include $767 of amortization and stock-based compensation expenses, an increase of $229 from the Prior Period.

Sales and Marketing Expenses

Sales and marketing ("S&M") expenses include employee costs of our pre-sales team of solutions engineers; the salaries, benefits, travel and commission costs of our direct sales team; advertising and marketing costs; and the amortization of acquired customer contracts and relationships. S&M expenses decreased by $456 in the Current Quarter relative to the Prior Period due to lower employee costs as a result of restructuring activities completed in the last quarter of fiscal 2017 and during the current quarter. S&M expenses were also decreased from lower commission expense as a consequence of the reduction in sales in the current period. S&M expenses for the three months ended December 31, 2017 include $1,373 of non-cash expenses for share-based compensation and the amortization of the customer contracts and relationships acquired from acquisitions, In total these non-cash expenses decreased $45 from the Prior Period.

Foreign Exchange Gain (Loss)

Foreign exchange gains and losses arise from the translation of assets and liabilities denominated in foreign currencies (primarily US dollar working capital). During the Current Quarter, the strengthening of the US dollar led to a foreign exchange gain included in net income of $136. The change in the gain on foreign exchange revaluations when compared to the Prior Period is a result of different rate movements in the respective periods and a fluctuation in US dollar working capital balances between the periods.

Acquisition, Integration and Restructuring Expenses

Acquisition, integration and restructuring expenses include costs we incur to acquire and integrate the businesses we purchase as well as expenses incurred to realign parts of our business. Acquisition, integration and restructuring expenses of $696 were recognized in the current quarter in connection with an employee restructuring that was completed where certain employment positions were eliminated. Compared to the Prior Period, acquisition, integration and restructuring costs increased by $361. The Prior Period included the acquisition costs associated with the acquisition of Mobi and therefore the increase is a result of the difference between the Current Quarter restructuring costs and the Prior Period acquisition costs.

Net Income (Loss)

In the Current Quarter, a net loss of $2,236 was generated as compared to a net loss of $465 in the Prior Period. The increase in the loss is attributable to a $1,866 decrease in gross profit from Hardware and Professional Services Revenue relative to the Prior Period. The decrease in gross profit was partially offset by lower operating expenses primarily due to a decrease in employee costs resulting from the employee restructuring activities completed in the fourth quarter of fiscal 2017 and at the beginning of the Current Quarter. Sales commission expense recognized in the Current Quarter was also lower than the Prior Period which is directly correlated with the respective decrease in revenue.

EBITDA and Adjusted EBITDA

Compared to the Prior Period, in the three months ended December 31, 2017, EBITDA decreased by 82%, and Adjusted EBITDA decreased by 50%. Adjusted EBITDA normalizes operating results for changes in: fair value adjustments; share-based compensation; foreign exchange gains and losses; and, acquisition, integration and restructuring expenses which may not be comparable period over period. The decrease in Adjusted EBITDA in the Current Quarter is primarily attributable to the decrease in Hardware and Professional Services Revenues compared to the corresponding quarter in fiscal 2017.

Summary of Quarterly Data

The following table sets forth certain information for each of the eight most recent quarters, including the current quarter ended December 31, 2017. The quarterly information has been derived from our condensed interim consolidated financial statements which have been prepared on a basis consistent with the annual audited consolidated financial statements (except for any changes in accounting policy and financial presentation in such years) and includes all adjustments necessary for the fair presentation of the information presented.

($ thousands, except per share data)	**FY 2016**			**FY 2017**				**FY 2018**
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$ 15,239	$ 13,902	$ 14,965	$ 18,363	$ 16,004	$ 16,660	$ 15,690	**$ 14,906**
Gross profit(i)	8,508	7,230	8,587	10,912	9,458	9,819	9,150	**8,954**
Net income (loss)	(858)	(161)	9,135	(465)	(1,181)	(1,336)	(1,218)	**(2,236)**
EBITDA(i)	1,206	1,894	3,485	2,344	1,557	1,051	343	**425**

Adjusted EBITDA(i)	2,325	1,882	2,033	2,818	2,170	2,150	1,189	**1,402**
EPS - basic	$ (0.010)	$ (0.002)	$ 0.112	$ (0.006)	$ (0.015)	$ (0.017)	$ (0.014)	**$ (0.028)**
EPS - diluted	$ (0.010)	$ (0.002)	$ 0.112	$ (0.006)	$ (0.014)	$ (0.016)	$ (0.014)	**$ (0.028)**

(i) *Certain comparative amounts have been restated to conform with current period presentation.*

Managing our Liquidity and Financial Resources

Interim Consolidated Statement of Cash Flows - Operating, Investing, and Financing Activities

	Three months ended December 31			
($ thousands)	**2017 ($)**	2016 ($)	Change ($)	Change (%)
Cash and cash equivalents, beginning of period	**8,708**	24,900	(16,192)	(65%)
Cash and cash equivalents, end of period	**6,731**	16,547	(9,816)	(59%)
Increase (decrease) in cash and cash equivalents	**(1,977)**	(8,353)	6,376	(76%)
Change due to:				
Operating activities	**(434)**	(495)	61	(12%)
Financing activities	**(1,228)**	(61)	(1,167)	1,913%
Investing activities	**(340)**	(7,937)	7,597	(96%)
Impact of foreign currency revaluation on cash and cash equivalents	**25**	140	(115)	(82%)
Total change in cash and cash equivalents	**(1,977)**	(8,353)	6,376	(76%)

Operating activities: In the three months ended December 31, 2017, $434 in cash was used in operating activities. Operating cash flow before changes in non-cash working capital was cash flow generation of $509. Negatively impacting operating cash flow was an increase in non-cash working capital resulting from a $574 decrease in accounts payable and accrued liabilities related to the payment of variable compensation and a $297 increase in inventory. Deferred revenue decreased by $1,272 in the Current Quarter due to the timing of revenue recognition relative to cash received for recurring services performed in the period. These uses of cash were offset by a $1,191 reduction of accounts receivable from cash collections in the Current Quarter.

Financing activities: In the three months ended December 31, 2017, $1,228 in cash was used in financing activities. During the Current Quarter, we made a $5,921 payment related to contingent consideration in connection with the Mobi acquisition and $5,199 was drawn down against the Company's revolving line of credit primarily to fund the contingent consideration payment. Lastly, we used $546 to repurchase and cancel common shares in accordance with our normal course issuer bid.

Investing activities: In the three months ended December 31, 2017, $340 in cash was used in investing activities. Investing activities in the Current Quarter were limited to capital expenditures for fixed assets to maintain our physical infrastructure in support of the provision of our software services and external consultant costs associated with the implementation of the Company's enterprise resource planning and internal software systems.

NCIB and Share Repurchases

On December 20, 2017, 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 7,002,017 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 27, 2017 and will conclude on December 26, 2018, or earlier if the number of common shares sought in the Bid have been purchased. 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 36,399 common shares which represents 25% of the average daily trading volume on the TSX for the period from June 1, 2017 to November 30, 2017.

From time to time, the Company may make purchases under the Bid via an automatic securities repurchase plan (the "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 having regard to the price limitations and other terms of the Plan and the rules of the TSX. As at December 31, 2017, the Company had a Plan in place with its broker. Given the automatic nature of the Plan, the Company has recognized a share repurchase liability of $983 in the interim consolidated statement of financial position. The share repurchase liability has been recorded at the maximum purchase exposure under the Plan during the period of January 1, 2018 through February 9, 2018 which is the period the Company anticipates being prohibited from cancelling or making amendments to the Plan due to TSX “blackout” restrictions.

During the three months ended December 31, 2017, the Company repurchased and cancelled 443,270 common shares in accordance with the previous normal course issuer bid.

Credit Facilities

The Company’s long-term debt balance is comprised of a $20 million revolving credit facility (“Revolver”) with the Toronto-Dominion Bank. The Company may draw on the Revolver in either US dollars or Canadian dollars and as at December 31, 2017, the Company had US$3,940 drawn against the Revolver.

The Revolver is secured by a first ranking security interest over all personal property of the Company. The Revolver also contains certain financial covenants including maximum debt leverage, minimum profitability ratios, and other non-financial covenants with which the Company is required to comply. The Company is in compliance with these covenants as at December 31, 2017. Expected covenant compliance is based on 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.

Contractual Commitments

In the Current Quarter, the Company’s contractual commitments decreased due to the settlement of the contingent consideration issued in accordance with the Mobi acquisition. Combined with amounts outstanding for other acquisitions, as at December 31, 2017, the Company has total contractual commitments of US$6.0 million deferred contingent consideration payments which are contingent upon performance targets in the respective acquisitions. The conditions of deferred acquisition consideration payments are contingent upon each of the acquired businesses generating specified levels of operating cash flow and therefore the contractual commitments will be funded by a combination of the required increase in cash flow from each respective acquisition, cash on hand as well as available capacity on our revolving credit facility. In addition to contingent consideration, the Company has $7.6 million in contractual commitments for operating leases and supplier purchase commitments, of which $2.9 million are due to be paid within the fiscal year. As at December 31, 2017, the Company has $6.7 million in cash on hand and $14.4 million in cash available on its revolving credit facility for total liquidity of $21.1 million. In aggregate, the Company expects to have adequate liquidity to meet its contractual commitments as they come due over future periods.

Overview of Financial Position

Condensed Interim Consolidated Statement of Financial Position

($ thousands)	**As at December 31, 2017 ($)**	**As at September 30, 2017 ($)**	**Change ($)**	**Change (%)**	**Comments**
Assets					
Current assets	**27,908**	30,379	(2,670)	(9%)	The largest factor contributing to the decrease in current assets was the decrease in cash of as explained in the cash flows section of this MD&A. Another major factor was the decrease of $1,119 in accounts receivable, reflective of our collection effort in the Current Quarter.

Long-term assets	**80,186**	82,061	(1,875)	(2%)	The decrease of long-term assets is primarily attributed to the amortization of intangible assets.
Total assets	**108,094**	112,440	(4,545)	(4%)	
Liabilities					
Current liabilities	**15,679**	23,478	(7,799)	(33%)	The decrease in current liabilities was primarily related to the payment of $5,910 to settle the Mobi-related contingent consideration. A decrease in deferred revenue of $1,228 and a $374 reduction in the in the share repurchase commitment also caused current liabilities to decrease as compared to the Prior Period.
Long-term liabilities	**5,738**	368	5,171	1405%	The increase in long-term liabilities is mainly attributed to the use of the Company's Revolver to fund the contingent consideration payment noted above.
Total liabilities	**21,417**	23,846	(2,628)	(11%)	
Shareholders' equity					
Common shares	**84,362**	83,932	430	1%	
Contributed surplus	**9,674**	9,763	(89)	(1%)	
Accumulated other comprehensive income	**(457)**	(435)	(22)	5%	
Deficit	**(6,902)**	(4,666)	(2,236)	48%	
Total shareholders' equity	**86,677**	88,594	(1,917)	(2%)	
Total liabilities and shareholders' equity	**108,094**	112,440	(4,545)	(4%)	

Outstanding Share Data

Our authorized share capital consists of an unlimited number of common shares. As at December 31, 2017, there were 82,282,970 issued common shares, including: 54,795 common shares remaining in escrow, the release of which is subject to performance conditions in terms of attaining certain cash flow levels; 699,575 common shares in escrow which are subject to JMM attaining certain revenue and EBITDA targets over the five years from the acquisition date; and 500,000 common shares in escrow subject to the acquired Praxis business attaining certain revenue targets over the six years from the acquisition date. With respect to the 54,795 shares in escrow subject to cumulative cash flow performance conditions, the required cash flow level was attained and the Company is working with its share registrar to release the escrowed shares to the beneficiaries.

The Company authorized an unlimited number of First Preferred Shares and Second Preferred Shares, all without par value. As at December 31, 2017, there were no First Preferred Shares and Second Preferred Shares issued and outstanding.

As at December 31, 2017 there were 2,135,021 outstanding stock options, which have been issued to directors, officers and employees of the Company with a weighted average exercise price of $1.45. As at December 31, 2017 there were 2,678,842 outstanding restricted share units, which have been issued to officers and employees of the Company, and 456,225 outstanding deferred share units, which have been issued to directors of the Company.

Critical Accounting Policies and Estimates

Please see our 2017 Annual MD&A and our 2017 Annual Audited FS for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations. There were no changes to these policies nor the nature of items requiring accounting estimates in this quarter.

Updates to Risks and Uncertainties

Please see our 2017 Annual MD&A and our 2017 AIF for a discussion of the principal risks and uncertainties and legal proceedings that could have a material adverse effect on our business and financial results as of February 8, 2018, which should be reviewed in conjunction with this interim quarterly MD&A. There have been no material changes to the risk factors or ongoing legal proceedings as of the date of this MD&A.

Non-GAAP Financial Measures and KPIs

Identification of Non-GAAP Financial Measures and KPIs

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 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 fees, monthly monitoring fees, and resale of cellular and satellite data. Recurring Revenue is recognized monthly as services are delivered. We believe that Recurring Revenue provides useful information to our investors because it shows the long-term nature of revenue earned from our customer relationships. **"Hardware Revenue"** is comprised of revenue recognized for the sale of our proprietary and third-party telematics devices. **"Professional Services Revenue"** includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to our customers. We believe that separately disclosing these revenue categories helps us to explain period over period variation in financial performance. Furthermore, gross profit margin generated by each revenue categories varies and we believe disclosure of these different categories helps our investors to better understand the composition of our total revenue and the impact of relative changes in revenue categories on total gross profit margin. The revenue, cost of revenue, gross profit and gross profit margin by revenue category table disclosed in the Summary of Consolidated Financial Results section shows how each of these categories comprise total revenue as disclosed in the Company's financial statements.

"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;
- depreciation of property and equipment and amortization of intangible assets; and
- taxes with respect to various jurisdictions.

Adjusted EBITDA is a further refinement of EBITDA to remove the effect of:

- acquisition, integration and restructuring related costs;
- share-based compensation expense;
- write-off of goodwill or other impairments to any financial and non-financial assets;
- fair value adjustments on contingent consideration;
- costs related to certain legal actions; and
- gains and losses resulting from the translation of non-Canadian dollar working capital balances.

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 statements of income and comprehensive income and consolidated statement of cash flows. 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

EBITDA and Adjusted EBITDA are calculated from net loss as follows:

	Three months ended December 31			
($ thousands)	**2017 ($)**	2016 ($)	Change ($)	Change (%)
Net loss as reported	**(2,236)**	(465)	(1,771)	381%
Add (deduct):				
Interest expense, net of interest received	**142**	484	(342)	(71%)
Tax expense	**184**	192	(8)	(4%)
Amortization	**2,336**	2,133	203	10%
EBITDA	**426**	2,344	(1,918)	(82%)
Add (deduct):				
Share-based compensation	**416**	539	(123)	(23%)
Foreign exchange gain	**(136)**	(400)	264	(66%)
Acquisition, integration and restructuring expenses	**696**	335	361	108%
Adjusted EBITDA	**1,402**	2,818	(1,416)	(50%)

Key Performance Indicators

In addition to the non-GAAP financial measures previously described, we use a number of key performance indicators (KPIs). We believe these KPIs allow us to appropriately measure our performance against our operating strategy. The following KPIs are not measurements in accordance with GAAP and should not be considered as an alternative to any other measure of performance under GAAP.

A **"Subscriber"** is defined as a customer's individual asset 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. Subscriber additions occur when we bill for Recurring Revenue services to a new device not previously in our Subscriber base, and Subscriber churn occurs when we no longer bill the Subscriber for Recurring Revenue services due to cancellation or expiry of the Recurring Revenue services.

"**Average Revenue Per User or Subscriber**" or "**ARPU**" is calculated monthly as Recurring Revenue divided by the average number of Subscribers during the month. We believe ARPU helps to identify trends and to indicate whether we have been successful in attracting and retaining higher value Subscribers.

Off-Balance Sheet Arrangements

As at December 31, 2017 we do not have any off-balance sheet arrangements, other than the lease commitments as disclosed in this MD&A.

Subsequent Events

There are no subsequent events to disclose for the Company.

About Forward-Looking Information

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized above under the heading "Risk Factors" and in documents filed with the securities regulatory authorities. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

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 at www.sedar.com and on the Company's website at www.bsmwireless.com