



Management's Discussion & Analysis

Three and six months ended March 31, 2018 and 2017

General Information

This Management's Discussion and Analysis ("MD&A") contains important information about our business and our performance for the three and six months ended March 31, 2018 and 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 and six months ended March 31, 2018 and 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 May 10, 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 March 31, 2018, which is the second quarter of our 2018 fiscal year. All financial performance commentary compared to the three months ended March 31, 2017 is referred to as the "Prior Period". We also disclose the current fiscal year to date performance for fiscal 2018 in this MD&A. All financial performance commentary for the six months ended March 31, 2017 is referred to as the "Prior YTD Period". Together, the Prior Period and the Prior YTD Period are collectively referred to as the "Prior Periods".

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 Average Revenue Per Subscriber ("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, through its subsidiaries, is a provider of GPS telematics and Internet of Things (IoT) asset management solutions. The Company offers a variety of product solutions to its customers including both hardware and software technologies. BSM's product solutions provide, among other things, near real-time tracking and management of customer assets through BSM's web-based platform. The Company's product solutions extend beyond basic location tracking and encompass a host of solutions including: driver compliance, asset utilization metrics, real-time dynamic scheduling and routing, and enhanced data reporting capabilities. Customers use our product solutions to, among other things, enhance asset utilization, improve the security of their drivers and vehicles, improve customer service and lower business costs, thereby improving the overall efficiency of their operations. BSM's common shares are publicly traded on the Toronto Stock Exchange (TSX: GPS).

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 and these 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)

(\$ thousands)	Three months ended March 31				Six months ended March 31			
	2018 (\$)	2017 (\$)	Change (\$)	Change (%)	2018 (\$)	2017 (\$)	Change (\$)	Change (%)
Revenue	14,806	16,004	(1,198)	(7%)	29,712	34,367	(4,655)	(14%)
Cost of revenue	6,090	6,546	(456)	(7%)	12,279	13,997	(1,718)	(12%)
Gross profit	8,716	9,458	(742)	(8%)	17,433	20,370	(2,937)	(14%)
Interest income from finance leases	62	61	1	2%	125	124	1	1%
General and administrative	3,204	3,040	164	5%	6,418	6,903	(485)	(7%)
Research and development	3,441	3,046	395	13%	6,973	6,063	910	15%
Sales and marketing	3,096	3,830	(734)	(19%)	6,480	7,779	(1,299)	(17%)
Acquisition, integration and restructuring expenses	-	-	-	-	696	335	361	108%
Fair value adjustments on contingent consideration	(2,507)	-	(2,507)	-	(2,507)	-	(2,507)	-
Foreign exchange (gain)/loss	(101)	167	(268)	(160%)	(237)	(233)	(4)	2%
Net interest expense	126	361	(235)	(65%)	268	845	(577)	(68%)
Total expenses	7,259	10,444	(3,185)	(30%)	18,091	21,692	(3,601)	(17%)
Net income (loss) before tax	1,519	(925)	2,444	(264%)	(533)	(1,198)	665	(56%)
Current tax (recovery) expense	-	26	(26)	(100%)	63	95	(32)	(34%)
Deferred tax (recovery) expense	(177)	230	(407)	(177%)	(56)	353	(409)	(116%)
Net income (loss) for the period	1,696	(1,181)	2,877	(244%)	(540)	(1,646)	1,106	(67%)
Foreign exchange gain/(loss) on foreign operations, net of tax	850	(123)	973	(791%)	828	113	715	633%
Total comprehensive income (loss) for the period	2,546	(1,304)	3,850	(295%)	288	(1,533)	1,821	(119%)

EBITDA ⁽ⁱ⁾	3,803	1,557	2,246	144%	4,229	3,901	328	8%
Adjusted EBITDA ⁽ⁱ⁾	1,595	2,170	(575)	(26%)	2,997	4,988	(1,991)	(40%)

(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.

Revenue by Geography (based upon customer locations)

(\$ thousands)	Three months ended March 31				Six months ended March 31			
	2018		2017		2018		2017	
Canada	\$ 6,149	42%	\$ 5,658	35%	\$ 12,382	42%	\$ 11,252	33%
United States	8,481	57%	10,080	63%	16,950	57%	22,555	66%
International	176	1%	266	2%	380	1%	560	1%
Total revenue	\$ 14,806	100%	\$ 16,004	100%	\$ 29,712	100%	\$ 34,367	100%

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

(\$ thousands)	Three months ended March 31				Six months ended March 31			
	2018 (\$)	2017 (\$)	Change (\$)	Change (%)	2018 (\$)	2017 (\$)	Change (\$)	Change (%)
Revenue								
Hardware Revenue ⁽ⁱ⁾	2,511	3,385	(874)	(26%)	5,296	8,932	(3,636)	(41%)
Recurring Revenue ⁽ⁱ⁾	11,221	11,767	(546)	(5%)	22,472	23,328	(856)	(4%)
Professional Services Revenue ⁽ⁱ⁾	1,074	852	222	26%	1,944	2,107	(163)	(8%)
Total revenue	14,806	16,004	(1,198)	(7%)	29,712	34,367	(4,655)	(14%)
Cost of revenue								
Hardware cost of revenue	1,931	2,452	(521)	(21%)	4,070	5,594	(1,524)	(27%)
Recurring cost of revenue	3,305	3,071	234	8%	6,540	6,223	317	5%
Professional Services cost of revenue	854	1,023	(169)	(17%)	1,669	2,180	(511)	(23%)
Total cost of revenue	6,090	6,546	(456)	(7%)	12,279	13,997	(1,718)	(12%)
Gross profit								
Hardware gross profit	580	933	(353)	(38%)	1,226	3,338	(2,112)	(63%)
Recurring gross profit	7,916	8,696	(780)	(9%)	15,932	17,105	(1,173)	(7%)
Professional Services gross profit	220	(171)	391	(229%)	275	(73)	348	(477%)
Total gross profit	8,716	9,458	(742)	(8%)	17,433	20,370	(2,937)	(14%)
Gross profit margin (“GP margin”)								
Hardware GP margin	23%	28%	(5%)	(18%)	23%	37%	(14%)	(38%)
Recurring GP margin	71%	74%	(3%)	(4%)	71%	73%	(2%)	(3%)
Professional Services GP margin	20%	(20%)	(40%)	(200%)	14%	(3%)	17%	566%
Total gross profit margin	59%	59%	-	-	59%	59%	-	-

(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 has lead to a broader range of solutions available in the market. In some cases, this has lead 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 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 utilize 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 from this seasonality is not material to overall ARPU.

Revenue

The Company has categorized 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 Revenue 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 26% and 41% for the Current Quarter and current YTD periods as compared to the Prior Periods. The decrease is associated with fewer large volume hardware orders shipped in the quarter as well as from increased pricing pressure on hardware sales.

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 Service Revenue increased by 26% in the current quarter and decreased by 8% on a YTD basis. The current quarter included revenue associated with a custom development project for a highly engineered solution. This was the driver for the increase over the Prior Period. On a YTD basis, the volume of installation and project management services is lower than the Prior YTD Period. The volume of installations and project management activities 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 contractual in nature and customers typically will contract with us for durations 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 provided on an on-going basis.

Recurring Revenue decreased by 5% and 4% for the three and six months ended March 31, 2018 as compared to the Prior Periods. The decrease in both the Current Quarter and YTD period is primarily attributable to a weaker United States dollar as compared to the Prior Periods. In the prior YTD period, USD denominated revenue contributed more to the Canadian dollar reported revenue due to its higher relative valuation compared to the CAD. In addition to the impact of foreign exchange, we have seen changes in the subscriber base relative to the Prior Periods. In the Prior YTD period, there was 9,500 in Subscriber churn associated with the 2G wireless network shutdown which caused a decrease in recurring revenue. In the current YTD period, the Company has achieved net Subscriber additions of 5,000 which has helped to offset the impact of the 2G Subscriber churn. Despite these changes, on an average basis, the total number of Subscribers in the current YTD period relative to the Prior YTD period is relatively unchanged and therefore has not had a significant impact on the corresponding comparison of recurring revenue.

For the three and six months ended March 31, 2018 we achieved gross Subscriber additions of 3,700 and 10,700, experienced Subscriber churn of 3,100 and 5,700, resulting in a March 31, 2018 Subscriber base of 166,700 up from 161,700 as at September 30, 2017.

ARPU in the Current Quarter was \$22.48 compared to \$23.85 (\$23.18 on a constant currency basis) in the Prior Period. The change in CAD consolidated ARPU relative to the corresponding quarter in fiscal 2017 includes both a decrease due to the lower foreign exchange rate on USD sourced revenue and an increase for additional software modules sold to existing subscribers.

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 Revenue 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 March 31, 2018, gross profit margin on Hardware Revenue was 23% as compared to 28% in the Prior Period. The decrease was primarily attributable to lower average selling prices and less economies of scale on our fixed production costs. For the YTD period, gross profit margin was 23% as compared to 37% in the Prior YTD Period. This decrease was primarily attributable to large hardware sales recognized in the first quarter of fiscal 2017.

Gross profit on Professional Services Revenue was \$220 in the Current Quarter as compared to a negative contribution of \$171 in the Prior Period. Gross profit in the current quarter was favourable due to the recognition of non-recurring engineering revenue related to the development of a specialized rail car solution for one of our enterprise customers. The impact of this custom project also impacted the YTD results where we have generated positive gross profit of \$275 as compared to a negative contribution of \$73 in the Prior YTD Period. Gross profit margin on Professional Services Revenue will fluctuate based on the type and mix of revenue generating activities completed in each period.

Gross profit margin on Recurring Revenue was 71% in the Current Quarter relative to 74% in the Prior Period and was also 71% on a YTD basis as compared to 73% in the Prior YTD Period. The decrease in gross profit margin is attributable to a shift in resource allocation from operating expenses, specifically general and administrative and research and development costs, to the recurring costs of goods sold. As we work through our platform migration projects and transition customers to different technologies, we have proactively focused on ensuring a high level of customer support. Accordingly, we have increased the resources in our development operations and customer support teams.

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), operating leases and overhead expenses associated with maintaining the Company's premises. G&A expenses increased by \$164 in the Current Quarter as compared to the Prior Period as a result of higher bad debt expense recognized in the respective periods as well as an increase in professional fees related to the wind-up of certain dormant subsidiaries. As compared to the Prior YTD Period, G&A expenses decreased by \$485 due to lower variable compensation expenses and the elimination of certain employment positions resulting from the restructuring activities that were completed in the first quarter of fiscal 2018. In aggregate, general and administrative expenses in the current quarter and YTD period include depreciation, amortization and stock-based compensation expenses of \$420 and \$910 respectively.

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 \$395 and \$910 in the three and six months ended March 31, 2018 compared to the Prior Periods. The increases are 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 three and six months ended March 31, 2018 include \$645 and \$1,412 of amortization and stock-based compensation expenses.

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 \$734 and \$1,299 in the Current Quarter and fiscal year to date period relative to the Prior Periods due to lower commissions expense and variable compensation costs which corresponds to weaker revenue performance. Employee costs are also lower resulting from restructuring activities completed in the last quarter of fiscal 2017. S&M expenses for the three and six months ended March 31, 2018 include \$1,372 and \$2,745 of non-cash expenses primarily for the amortization of the customer contracts and relationships acquired from acquisitions. The non-cash expenses also includes stock-based compensation expenses.

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 and the fiscal year to date period, the strengthening of the US dollar led to a foreign exchange gain included in net income of \$101 and \$237, respectively. The change in the gain on foreign exchange revaluations when compared to the Prior Periods 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. There were no acquisition, integration and restructuring costs incurred during Current Quarter. Acquisition, integration and restructuring expenses of \$696 were recognized in the first quarter of fiscal 2018 in connection with an employee restructuring that was completed where certain employee positions were eliminated. Acquisition, integration and restructuring expenses increased by \$361 compared to the Prior YTD Period which included acquisition costs associated with the Mobi acquisition.

Net Income (Loss)

In the three months ended March 31, 2018, a net income of \$1,696 was generated compared to a net loss of \$1,181 in the Prior Period. The increase of \$2,877 in net income for the period is primarily attributable to a fair value

adjustment gain of \$2,507 as a result of a write-down in the value of the Lat-Lon related contingent consideration payable to nil. As of March 31, 2018, the probability of a payout being achieved under the contingent consideration arrangement was remote. Comparatively, there were no fair value adjustments made in the Prior Period. On a YTD basis, the FV gain on contingent consideration, a decrease in gross profit from lower revenue and a decrease in operating expenses associated with employee restructuring are all factors that have contributed to the current YTD period net loss of \$540 relative to a net loss of \$1,646 in the Prior YTD Period.

EBITDA and Adjusted EBITDA

Compared to the Prior Periods, in the three and six months ended March 31, 2018, EBITDA increased by 144% and 8%. The fluctuation in EBITDA was impacted by the fair value gain and the difference in foreign exchange gains and losses between the periods. Adjusted EBITDA is a further refinement of EBITDA which isolates specified non-cash or one-time expenses and gains. Adjusted EBITDA decreased by 26% and 40% in the Current Quarter and fiscal YTD periods respectively. Lower Adjusted EBITDA performance is most attributable to lower gross profit from lower Hardware Revenue compared to the Prior YTD Period which included some large deployments. Additionally, the Company is negatively impacted by a weaker USD dollar relative to the CAD. On a YTD basis, the average USD/CAD foreign exchange rate was 5% weaker which also caused Adjusted EBITDA performance to be lower period over period.

Summary of Quarterly Data

The following table sets forth certain information for each of the eight most recent quarters, including the current quarter ended March 31, 2018. 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 include all adjustments necessary for the fair presentation of the information presented.

(\$ thousands, except per share data)	FY 2016		FY 2017				FY 2018	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 13,902	\$ 14,965	\$ 18,363	\$ 16,004	\$ 16,660	\$ 15,690	\$ 14,906	\$ 14,806
Gross profit ¹	7,230	8,587	10,912	9,458	9,819	9,150	8,717	8,716
Net income/(loss) ¹	(161)	9,135	(465)	(1,181)	(1,336)	(1,218)	(2,236)	1,696
EBITDA ¹	1,894	3,485	2,344	1,557	1,051	343	426	3,803
Adjusted EBITDA ¹	1,882	2,033	2,818	2,170	2,150	1,189	1,402	1,595
EPS - basic	\$ (0.002)	\$ 0.112	\$ (0.006)	\$ (0.015)	\$ (0.017)	\$ (0.014)	\$ (0.028)	\$ 0.021
EPS - diluted	\$ (0.002)	\$ 0.112	\$ (0.006)	\$ (0.015)	\$ (0.017)	\$ (0.014)	\$ (0.028)	\$ 0.021

¹ 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

(\$ thousands)	Three months ended March 31				Six months ended March 31			
	2018 (\$)	2017 (\$)	Change (\$)	Change (%)	2018 (\$)	2017 (\$)	Change (\$)	Change (%)
Cash and cash equivalents, beginning of period	6,731	16,547	(9,816)	(59%)	8,708	24,900	(16,192)	(65%)
Cash and cash equivalents, end of period	3,317	8,442	(5,125)	(61%)	3,317	8,442	(5,125)	(61%)
Decrease in cash and cash equivalents	(3,414)	(8,105)	4,691	(58%)	(5,391)	(16,458)	11,067	(67%)
Change due to:								
Operating activities	1,064	1,582	(518)	(33%)	630	1,087	(457)	(42%)

Financing activities	(4,425)	(9,191)	4,766	(52%)	(5,653)	(9,252)	3,599	(39%)
Investing activities	(125)	(417)	292	(70%)	(465)	(8,354)	7,889	(94%)
Impact of foreign exchange on cash held in foreign currencies	72	(79)	151	(191%)	97	61	36	59%
Total change in cash and cash equivalents	(3,414)	(8,105)	4,691	(58%)	(5,391)	(16,458)	11,067	(67%)

Operating activities: In the three months ended March 31, 2018, the Company generated \$1,064 in cash flow from operations which included a \$482 use of cash to fund an increase in working capital. The change in non-cash working capital included a use of cash to fund a \$801 decrease in accounts payable, accrued liabilities, and provisions. Working capital changes also included a \$1,257 decrease in deferred revenue due to the timing of revenue recognition relative to the cash collection cycle. These increases in working capital were offset by \$1,035 reduction of accounts receivable from cash collections in the Current Quarter.

In the six months ended March 31, 2018, the Company generated \$630 in cash flow from operations which included a \$1,425 use of cash to fund an increase in working capital. With respect to working capital changes, accounts payable, accrued liabilities and provisions balances decreased by \$1,191 on a cash basis and the drawdown in deferred revenue drove a further \$2,529 use of cash. These uses of cash were offset by positive cash flow of \$2,226 generated from the collection of accounts receivable.

Isolated for working capital changes, the Company generated operating cash flow of \$1,546 and \$2,055 in the three and six months ended March 31, 2018.

Financing activities: In the three and six months ended March 31, 2018, \$4,425 and \$5,653 in cash was used in financing activities. During the Current Quarter, the Company made debt repayments of \$3,985 against its credit facility and paid \$432 to repurchase and cancel common shares in accordance with the normal course issuer bid. In the fiscal YTD period, cash used in financing activities was mainly attributable the \$5,921 payment to settle the Mobi related contingent consideration, of which, \$1,214 was funded via the Company's revolving line of credit. Additionally, the Company used \$978 to repurchase and cancel common shares in accordance with our normal course issues bid.

Investing activities: In the three and six months ended March 31, 2018, \$125 and \$465 in cash was used in investing activities. Investing activities in the Current Quarter and fiscal YTD Period were limited to on-going investments in fixed assets to maintain our physical infrastructure and intangible assets 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 March 31, 2018, 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 \$1,019 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 April 1, 2018 through May 11, 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 and six months ended March 31, 2018, the Company repurchased and cancelled 331,699 and 774,969 common shares in accordance with the current Bid and the previous normal course issuer bid (2017 – 78,200 and 78,200).

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 March 31, 2018, the Company had US\$783 and CAD\$454 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, interest coverage, and other non-financial covenants with which the Company is required to comply. The Company is in compliance with these covenants as at March 31, 2018. 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 fiscal year to date period, 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 March 31, 2018, the Company has total contractual commitments of US\$6.4 million for deferred contingent consideration payments. Included in this is \$6.0 million related to the Lat-Lon acquisition which reaches expiry in May 2018. As indicated by the fair value adjustment in the current period, management estimates that the ultimate payout to settle the remaining contingent consideration is expected to be nil. In addition to contingent consideration, the Company has \$6.9 million of contractual commitments for operating leases and supplier purchase commitments, of which \$2.1 million are due to be paid within the fiscal year. As at March 31, 2018, the Company has \$3.3 million in cash on hand and approximately \$13.5 million of availability on its revolving credit facility for total liquidity of \$16.8 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

<i>(\$ thousands)</i>	As at March 31, 2018 (\$)	As at September 30, 2017 (\$)	Change (\$)	Change (%)	Comments
Assets					
Current assets	23,381	30,379	(6,998)	(23%)	The largest factor contributing to the decrease in current assets is the decrease in cash as explained in the cash flows section of this MD&A. Another factor is the decrease of \$1,902 in accounts receivable which was reflective of cash collection efforts and the cash collection cycle relative to lower sales in the respective periods.
Long-term assets	78,936	82,061	(3,125)	(4%)	The decrease of long-term assets is mainly attributable to the amortization of intangible assets.
Total assets	102,317	112,440	(10,123)	(9%)	
Liabilities					
Current liabilities	11,355	23,478	(12,123)	(52%)	The decrease in current liabilities is a result of the payment of \$5,910 to settle the Mobi related contingent consideration. In addition, a decrease in the fair value adjustment of \$2,507 was

Long-term liabilities	1,742	368	1,374	373%	made on the contingent consideration related to the Lat-Lon acquisition. The decrease in deferred revenue of \$2,406 also caused current liabilities to decrease as compared to the Prior YTD Period. The major factor for the increase in long-term liabilities is attributable to the net increase in borrowings on the Company's revolving credit facility.
Total liabilities	13,097	23,846	(10,749)	(45%)	
Shareholders' equity					
Common shares	84,498	83,932	566	1%	Common shares are relatively unchanged period over period however the movement on a YTD basis includes \$978 in share repurchases and \$1,206 in shares issues related to stock-based compensation arrangements.
Contributed surplus	9,535	9,763	(228)	(2%)	
Accumulated other comprehensive income (loss)	393	(435)	828	(190%)	The increase in accumulated other comprehensive income reflects the foreign exchange gain on the Company's net investment in foreign operations.
Deficit	(5,206)	(4,666)	(540)	12%	
Total shareholders' equity	89,220	88,594	626	1%	
Total liabilities and shareholders' equity	102,317	112,440	(10,123)	(9%)	

Outstanding Share Data

Our authorized share capital consists of an unlimited number of common shares. As at March 31, 2018, there were 82,370,206 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 March 31, 2018, there were no First Preferred Shares and Second Preferred Shares issued and outstanding.

As at March 31, 2018, there were 1,776,054 outstanding stock options, which have been issued to directors, officers and employees of the Company with a weighted average exercise price of \$1.48. As at March 31, 2018 there were 2,398,255 outstanding restricted share units which have been issued to officers and employees of the Company and 505,778 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 at May 10, 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 Service 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 category 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 income/(loss) as follows:

(\$ thousands)	Three months ended March 31				Six months ended March 31			
	2018 (\$)	2017 (\$)	Change (\$)	Change (%)	2018 (\$)	2017 (\$)	Change (\$)	Change (%)
Net income/(loss) as reported	1,696	(1,181)	2,877	(244%)	(540)	(1,646)	1,106	(67%)
Add (deduct):								
Interest expense, net of interest received	126	361	(235)	(65%)	268	845	(577)	(68%)
Tax (recovery) expense	(177)	256	(433)	(169%)	7	448	(441)	(98%)
Amortization	2,158	2,121	37	2%	4,494	4,254	240	6%
EBITDA	3,803	1,557	2,246	144%	4,229	3,901	328	8%
Add (deduct):								
Share-based compensation	400	446	(46)	(10%)	816	985	(169)	(17%)
Foreign exchange (gain)/loss	(101)	167	(268)	(160%)	(237)	(233)	(4)	2%
Acquisition, integration and restructuring expenses	-	-	-	-	696	335	361	108%
Fair value adjustments on contingent consideration	(2,507)	-	(2,507)	-	(2,507)	-	(2,507)	-
Adjusted EBITDA	1,595	2,170	(570)	(26%)	2,997	4,988	(1,991)	(40%)

Key Performance Indicators

In addition to the non-GAAP financial measures previously described, we use a number of 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. ARPU calculated on a constant currency basis is presented in Canadian dollars (the Company’s presentation currency) using the effective average foreign exchange rate from the current period for all prior periods presented. Calculating ARPU on a constant currency basis removes the impact of foreign currency fluctuations on foreign denominated revenue when ARPU is presented in the Company’s consolidated currency.

Off-Balance Sheet Arrangements

As at March 31, 2018, we do not have any off-balance sheet arrangements, other than 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