Management's Discussion & Analysis

Three and nine months ended June 30, 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 nine months ended June 30, 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 nine months ended June 30, 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 years ended September 30, 2017 and 2016 ("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 August 14, 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 the "Current Quarter" refers to the three months ended June 30, 2018, which is the third quarter of our 2018 fiscal year. All financial performance commentary compared to the three months ended June 30, 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 which is referred to as the "Current YTD Period". All financial performance commentary for the nine months ended June 30, 2017 is referred to as the "Prior YTD Period". Together, the Prior Period and the Prior YTD Period is 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 entities. 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 June 30**				**Nine months ended June 30**			
	2018 ($)	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Revenue	**15,764**	16,660	(896)	(5%)	**45,476**	51,027	(5,551)	(11%)
Cost of revenue	**6,918**	6,841	77	1%	**19,197**	20,838	(1,641)	(8%)
Gross profit	**8,846**	9,819	(973)	(10%)	**26,279**	30,189	(3,910)	(13%)
Interest income from finance leases	**54**	56	(2)	(4%)	**179**	180	(1)	(1%)
General and administrative	**2,925**	2,994	(69)	(2%)	**9,339**	9,897	(558)	(6%)
Research and development	**3,568**	3,287	281	9%	**10,541**	9,350	1,191	13%
Sales and marketing	**3,289**	4,040	(751)	(19%)	**9,769**	11,819	(2,050)	(17%)
Acquisition, integration and restructuring expenses	**-**	-	-	-	**696**	335	361	108%
Fair value adjustments on contingent consideration	**-**	-	-	-	**(2,507)**	-	(2,507)	-
Foreign exchange (gain)/loss	**(182)**	627	(809)	(129%)	**(419)**	394	(813)	(206%)
Net interest expense	**80**	328	(248)	(76%)	**348**	1,173	(825)	(70%)
Total expenses	**9,680**	11,276	(1,596)	(14%)	**27,767**	32,968	(5,201)	(16%)
Net loss before tax	**(780)**	(1,401)	621	(44%)	**(1,309)**	(2,599)	1,290	(50%)
Current tax expense	**5**	-	5	-	**69**	95	(26)	(27%)
Deferred tax (recovery) expense	**(93)**	(65)	(28)	43%	**(149)**	288	(437)	(152%)
Net loss for the period	**(692)**	(1,336)	644	(48%)	**(1,229)**	(2,982)	1,753	(59%)
Foreign exchange gain (loss) on foreign operations, net of tax	**319**	(251)	570	(227%)	**1,147**	(138)	1,285	(931%)
Total comprehensive loss for the period	**(373)**	(1,587)	1,214	(76%)	**(82)**	(3,120)	3,038	(97%)

EBITDA(i)	**1,402**	1,051	350	33%	**5,635**	4,952	683	14%
Adjusted EBITDA(i)	**1,632**	2,150	(518)	(24%)	**4,634**	7,138	(2,504)	(35%)

(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)

	Three months ended June 30				**Nine months ended June 30**			
($ thousands)	**2018**		2017		**2018**		2017	
Canada	**$ 6,036**	38%	$ 5,427	32%	**$ 18,418**	41%	$ 16,679	32%
United States	**9,569**	61%	10,942	66%	**26,519**	58%	33,497	66%
International	**159**	1%	291	2%	**539**	1%	851	2%
Total Revenue	**$ 15,764**	100%	$ 16,660	100%	**$ 45,476**	100%	$ 51,027	100%

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

	Three months ended June 30				**Nine months ended June 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Revenue								
Hardware Revenue(i)	**3,380**	4,586	(1,206)	(26%)	**8,677**	13,518	(4,841)	(36%)
Recurring Revenue(i)	**11,115**	11,356	(241)	(2%)	**33,587**	34,684	(1,097)	(3%)
Professional Services Revenue(i)	**1,269**	718	551	77%	**3,212**	2,825	387	14%
Total revenue	**15,764**	16,660	(896)	(5%)	**45,476**	51,027	(5,551)	(11%)
Cost of revenue								
Hardware cost of revenue	**2,628**	2,988	(360)	(12%)	**6,699**	8,582	(1,883)	(22%)
Recurring cost of revenue	**3,332**	2,942	390	13%	**9,872**	9,165	707	8%
Professional Services cost of revenue	**958**	911	47	5%	**2,626**	3,091	(465)	(15%)
Total cost of revenue	**6,918**	6,841	77	1%	**19,197**	20,838	(1,641)	(8%)
Gross profit								
Hardware gross profit	**752**	1,598	(846)	(53%)	**1,978**	4,936	(2,958)	(60%)
Recurring gross profit	**7,783**	8,414	(631)	(7%)	**23,715**	25,519	(1,804)	(7%)
Professional Services gross profit	**311**	(193)	504	(261%)	**586**	(266)	852	(320%)
Total gross profit	**8,846**	9,819	(973)	(10%)	**26,279**	30,189	(3,910)	(13%)
Gross profit margin ("GP Margin")								
Hardware GP margin	**22%**	35%	(13%)	(37%)	**23%**	37%	(14%)	(38%)
Recurring GP margin	**70%**	74%	(4%)	(5%)	**71%**	74%	(3%)	(4%)
Professional Services GP margin	**25%**	(27%)	52%	(193%)	**18%**	(9%)	27%	(300%)
Total gross profit margin	**56%**	59%	(3%)	(5%)	**58%**	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 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. Overall, the impact of this on our aggregate Subscriber base is not significant and variation in ARPU from this seasonality is not material to consolidated 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 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 36% for the Current Quarter and Current YTD Period as compared to the Prior Periods due to 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 Services Revenue increased by 77% and 14% for the Current Quarter and year to date period. The increase was primarily associated with a custom development project for a highly engineered solution for an enterprise customer. On a YTD basis, the volume of installation and project management services is lower than the Prior YTD Period. The impact of the decrease in installation and project management revenue has been offset by the increase in non-recurring engineering revenue. The volume of installations, project management and other professional services 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 2% and 3% for the three and nine months ended June 30, 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. On a constant currency basis, Recurring Revenue was relatively unchanged as compared to both the Prior Quarter and Prior YTD Period. In addition to the foreign exchange impact, we have seen changes in our subscriber base. In the Prior YTD period, there was 9,500 in Subscriber churn associated with the 2G wireless network shutdown which caused recurring revenue to decrease. In the Current YTD Period, the Company has achieved net Subscriber additions of 3,500 which has helped to offset the impact of the 2G Subscriber churn in the Prior YTD Period. On an average basis, the total number of Subscribers is relatively unchanged from the first nine months of fiscal 2017 and therefore recurring revenue on a constant currency basis is relatively unchanged accordingly.

For the three and nine months ended June 30, 2018 we achieved gross Subscriber additions of 3,100 and 13,800, experienced Subscriber churn of 4,600 and 10,300, resulting in a June 30, 2018 Subscriber base of 165,200 up from 161,700 as at September 30, 2017.

ARPU in the Current Quarter was $22.32 compared to $23.55 ($22.94 on a constant currency basis) in the Prior Period. The change in ARPU relative to the comparative quarter in fiscal 2017 includes a decrease from a change in the mix of ARPU on gross new subscriber additions relative to subscriber churn.

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 June 30, 2018, gross profit margin on Hardware Revenue was 22% as compared to 35% in the Prior Period. For the YTD period, gross profit margin on Hardware Revenue was 23% as compared to 37% in the Prior YTD Period. The decrease is primarily attributable to lower average selling prices and decreased efficiency in the economies of scale on our fixed production costs due to lower revenues.

Gross profit on Professional Services Revenue was $311 in the Current Quarter as compared to a negative contribution of $193 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 an enterprise customer. The impact of this custom project also impacted the YTD results where we have generated positive gross profit of $586 as compared to a negative contribution of $266 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 70% in the Current Quarter relative to 74% in the Prior Period and was also 71% on a YTD basis as compared to 74% 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. In addition to an increase in direct resources to support recurring revenue, lower revenues from a decrease in ARPU has also caused the gross profit margin on recurring revenue to decrease as compared to the prior periods.

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 decreased by $69 and $558 in the three and nine months ended June 30, 2018 compared to the Prior Periods primarily due to the elimination of certain employment positions resulting from the restructuring activities that were completed in the last quarter of fiscal 2017 and the first quarter of fiscal 2018. In aggregate, G&A expenses in the Current Quarter and Current YTD Period include depreciation, amortization and stock-based compensation expenses of $366 and $1,276 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. Research and development expenses increased by $281 and $1,191 in the three and nine months ended June 30, 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 nine months ended June 30, 2018 include $580 and $1,992 of amortization and stock-based compensation expenses. In addition to research and development costs, the Company incurs salaries and wages and other costs to maintain and host its software platforms on an on-going basis. These technology costs are categorized as a cost of goods sold.

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 relative to the Prior Periods by $751 and $2,050 due to lower employee costs resulting from restructuring activities completed in the last quarter of fiscal 2017 and a decrease in commissions expenses. S&M expenses for the three and nine months ended June 30, 2018 include $1,358 and $4,103 of non-cash expenses primarily for the amortization of the customer contracts and relationships obtained through acquisitions. The non-cash expenses also include stock-based compensation expenses associated with sales and marketing personnel.

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 $182 and $419 respectively. The change in foreign exchange gains and losses when compared to the Prior Periods is a result of different foreign exchange rate movements and a fluctuation in US dollar denominated working capital balances in the respective 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 related costs incurred during the 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 Loss

In the three and nine months ended June 30, 2018, the Company had a net loss of $692 and $1,229 compared to a net loss of $1,336 and $2,982 in the Prior Periods. The reduction in net loss for the Current Quarter relative to the third quarter of Fiscal 2017 is attributable a decrease in gross profit from lower revenues which was partially offset by a decrease in operating expenses and interest expenses. Additionally, the Prior Period was unfavourably impacted by a foreign exchange loss whereas the Current Quarter benefited from a foreign exchange gain. The decrease in the net loss for the fiscal YTD period relative to the Prior YTD Period is primarily attributable to a one-time FV gain on contingent consideration in the current period. Isolating for this one-time gain, the net loss would have increased due to a decrease in gross profit which was only partially offset by lower operating expenses and interest costs. In addition to these items, the Current YTD Period also included a foreign exchange gain whereas the Prior YTD Period included a foreign exchange loss.

EBITDA and Adjusted EBITDA

Compared to the Prior Periods, in the three and nine months ended June 30, 2018, EBITDA increased by 33% and 14% respectively. Adjusted EBITDA is a further refinement of EBITDA which isolates specified non-cash or one-time expenses and gains. Adjusted EBITDA decreased by 24% and 35% in the Current Quarter and fiscal YTD period respectively. The decrease in Adjusted EBITDA is primarily attributable to lower gross profit from Hardware Revenue compared to the Prior YTD Period which included some large deployments.

Summary of Quarterly Data

The following table sets forth certain information for each of the eight most recent quarters, including the Current Quarter ended June 30, 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**		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue	$ 14,965	$ 18,363	$ 16,004	$ 16,660	$ 15,690	$ 14,906	$ 14,806	**$ 15,764**
Gross profit[1]	8,587	10,912	9,458	9,819	9,150	8,717	8,716	**8,846**
Net income/(loss)	9,135	(465)	(1,181)	(1,336)	(1,218)	(2,236)	1,696	**(692)**
EBITDA[1]	3,485	2,344	1,557	1,051	343	426	3,803	**1,402**
Adjusted EBITDA[1]	2,033	2,818	2,170	2,150	1,189	1,402	1,595	**1,632**
EPS - basic	$ 0.112	$ (0.006)	$ (0.015)	$ (0.017)	$ (0.014)	$ (0.028)	$ 0.021	**$ (0.009)**
EPS - diluted	$ 0.112	$ (0.006)	$ (0.014)	$ (0.016)	$ (0.014)	$ (0.028)	$ 0.021	**$ (0.009)**

[1] *Certain comparative amounts have been restated to conform with current period presentation.*

Managing our Liquidity and Financial Resources

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

	Three months ended June 30				**Nine months ended June 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Cash and cash equivalents, beginning of period	**3,317**	8,442	(5,125)	(61%)	**8,708**	24,900	(16,192)	(65%)
Cash and cash equivalents, end of period	**2,735**	6,471	(3,736)	(58%)	**2,735**	6,471	(3,736)	(58%)
Decrease in cash and cash equivalents	**(582)**	(1,971)	1,389	(70%)	**(5,973)**	(18,429)	12,456	(68%)

Change due to:								
Operating activities	**1,754**	(529)	2,283	(432%)	**2,384**	558	1,826	327%
Financing activities	**(2,217)**	(1,047)	(1,170)	112%	**(7,870)**	(10,299)	2,429	(24%)
Investing activities	**(174)**	(370)	196	(53%)	**(639)**	(8,724)	8,085	(93%)
Impact of foreign exchange on cash held in foreign currencies	**55**	(25)	80	(320%)	**152**	36	116	322%
Total change in cash and cash equivalents	**(582)**	(1,971)	1,389	(70%)	**(5,973)**	(18,429)	12,456	(68%)

Operating activities: In the three months ended June 30, 2018, the Company generated $1,754 in cash flow from operations which included a $125 increase in cash from reducing working capital. The change in non-cash working capital included positive cash flows generated from an increase of $1,121 in accounts payable, accrued liabilities, and provisions. Working capital changes also included a $1,201 decrease in deferred revenue due to the timing of revenue recognition relative to the corresponding cash collection cycle.

In the nine months ended June 30, 2018, the Company has generated $2,384 in cash flow from operations which includes a $1,300 use of cash to fund an increase in working capital. On an YTD basis, the largest movements within working capital are a use of cash for the drawdown of $3,730 in deferred revenue and an increase in cash of $1,992 generated from the collection of accounts receivable.

Isolated for working capital changes, the Company has generated operating cash flows of $1,629 and $3,684 in the three and nine months ended June 30, 2018.

Financing activities: In the three and nine months ended June 30, 2018, $2,217 and $7,870 in cash was used in financing activities. During the Current Quarter, the Company made debt repayments of $1,095 against the Company's revolving line of credit and paid $1,032 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 primarily to settle contingent consideration related to the Mobi acquisition of $5,921. The repurchase and cancellation of common shares has driven a further $2,010 use of cash.

Investing activities: In the three and nine months ended June 30, 2018, $174 and $639 in cash were 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 June 30, 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 $1,128 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 July 3, 2018 through August 15, 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 nine months ended June 30, 2018, the Company repurchased and cancelled 801,900 and 1,576,869 common shares in accordance with the current Bid and the previous normal course issuer bid (2017 – 92,200 and 170,400).

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 June 30, 2018, the Company had CAD$531 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 June 30, 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 and the expiration of the contingent consideration issued related to the Lat-Lon acquisition. As at June 30, 2018, the Company has total contractual commitments of US$0.2 million for deferred contingent consideration payments related to the JMM acquisition. In addition to contingent consideration, the Company has $8.0 million of contractual commitments for operating leases and supplier purchase commitments, of which $1.8 million are due to be paid within the fiscal year. As at June 30, 2018, the Company has $2.7 million in cash on hand and approximately $14.7 million of availability on its revolving credit facility for total liquidity of $17.4 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 June 30, 2018 ($)**	As at September 30, 2017 ($)	Change ($)	Change (%)	Comments
Assets					
Current assets	**22,759**	30,379	(7,620)	(25%)	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.
Long-term assets	**77,874**	82,061	(4,187)	(5%)	The decrease of long-term assets is primarily attributable to the amortization of intangible assets.
Total assets	**100,633**	112,440	(11,807)	(11%)	
Liabilities					
Current liabilities	**11,834**	23,478	(11,644)	(50%)	Current liabilities have decreased due to: $5,910 paid to settle the Mobi contingent consideration; the $2,507 fair value adjustment on Lat-Lon contingent consideration; and, a $3,584 decrease in deferred revenue.
Long-term liabilities	**677**	368	309	84%	Long-term liabilities are relatively unchanged however include an increase in the amount of debt drawn on the Company's revolving facility as well as an increase in the Company's finance lease obligations.

Total liabilities	**12,511**	23,846	(11,335)	(48%)	
Shareholders' equity					
Common shares	**83,374**	83,932	(558)	(1%)	Within the $558 decrease in common shares is a $2,010 decrease for the repurchase of common shares under the Company's and an offsetting $1,223 increase for shares issued on the vesting or exercise of RSUs and stock options.
Contributed surplus	**9,931**	9,763	168	2%	
Accumulated other comprehensive income (loss)	**712**	(435)	1,147	(264%)	The increase in accumulated other comprehensive income reflects the foreign exchange gain on the Company's net investment in foreign operations.
Deficit	**(5,895)**	(4,666)	(1,229)	26%	
Total shareholders' equity	**88,122**	88,594	(472)	(1%)	
Total liabilities and shareholders' equity	**100,633**	112,440	(11,807)	(11%)	

Outstanding Share Data

Our authorized share capital consists of an unlimited number of common shares. As at June 30, 2018, there were 81,588,306 issued common shares, including: 699,575 common shares in escrow which are subject to JMM attaining certain revenue and EBITDA targets over five years from the acquisition date; and 500,000 common shares in escrow subject to the acquired Praxis business attaining certain revenue targets over six years from the acquisition date. In the Current Quarter, 54,795 shares previously in escrow was released to the beneficiaries as the required cash flow performance conditions were attained.

The Company authorized an unlimited number of First Preferred Shares and Second Preferred Shares, all without par value. As at June 30, 2018, there were no First Preferred Shares and Second Preferred Shares issued and outstanding.

As at June 30, 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 June 30, 2018 there were 2,378,255 outstanding restricted share units, which have been issued to officers and employees of the Company, and 558,062 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 August 14, 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 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 as follows:

	Three months ended June 30				**Nine months ended June 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Net loss as reported	**(692)**	(1,336)	644	(48%)	**(1,229)**	(2,982)	1,753	(59%)
Add (deduct):								
Interest expense, net of interest received	**80**	328	(248)	(76%)	**348**	1,173	(825)	(70%)
Tax (recovery) expense	**(88)**	(65)	(23)	35%	**(80)**	383	(463)	(121%)
Amortization	**2,102**	2,124	(22)	(1%)	**6,596**	6,378	218	3%
EBITDA	**1,402**	1,051	351	33%	**5,635**	4,952	683	14%

Add (deduct):								
Share-based compensation	**412**	472	(60)	(13%)	**1,229**	1,457	(228)	(16%)
Foreign exchange (gain)/loss	**(182)**	627	(809)	(129%)	**(419)**	394	(813)	(206%)
Acquisition, integration and restructuring expenses	**-**	-	-	-	**696**	335	361	108%
Fair value adjustments on contingent consideration	**-**	-	-	-	**(2,507)**	-	(2,507)	-
Adjusted EBITDA	**1,632**	2,150	(518)	(24%)	**4,634**	7,138	(2,504)	(35%)

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 June 30, 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