



BSM TECHNOLOGIES INC.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

December 20, 2018

**75 International Boulevard, Suite 100
Toronto, Ontario, Canada M9W 6L9**

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TABLE OF CONTENTS

1	INTRODUCTORY NOTES.....	1
1.1	Cautionary Statement Regarding Forward-Looking Information	1
1.2	Currency	2
1.3	General Information	2
1.4	Non-GAAP Financial Measures	2
2	CORPORATE STRUCTURE.....	3
2.1	Name, Address and Incorporation.....	3
2.2	Inter-corporate Relationships	4
3	GENERAL DEVELOPMENT OF THE BUSINESS	5
3.1	Three Year History	5
3.1.1	Fiscal 2016 Developments.....	5
3.1.2	Fiscal 2017 Developments.....	6
3.1.3	Fiscal 2018 Developments.....	7
3.1.4	Recent Developments	8
3.2	Significant Acquisitions.....	8
4	DESCRIPTION OF THE BUSINESS	9
4.1	General	9
4.2	Type of Solutions.....	9
4.3	Sales and Distribution Model.....	10
4.4	Products and Services.....	10
4.5	Business Operations.....	13
4.6	Reorganizations.....	19
4.7	Risk Factors	19
5	DIVIDENDS.....	33
5.1	Dividends	33
6	DESCRIPTION OF CAPITAL STRUCTURE	34
6.1	General Description of Capital Structure	34
6.1.1	Share consolidations.....	36
6.1.2	Share repurchase program	36
7	MARKET FOR SECURITIES	36
7.1	Trading Price and Volume of BSM Shares	36
7.2	Prior Sales	37
8	ESCROWED SECURITIES	38
9	DIRECTORS AND OFFICERS	39
9.1	Name, Occupation and Security Holdings.....	39
9.2	Biographies of Directors and Executive Officers	40
9.3	Cease Trade Orders, Bankruptcies, Penalties or Sanctions	43
9.4	Conflicts of Interest	43
10	LEGAL PROCEEDINGS AND REGULATORY ACTIONS	43
10.1	Legal Proceedings	43
10.2	Regulatory Actions.....	44
11	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	44
12	TRANSFER AGENTS AND REGISTRARS.....	44

13	MATERIAL CONTRACTS.....	44
14	AUDIT COMMITTEE	45
14.1	Audit Committee Mandate	45
14.2	Composition of the Audit Committee.....	45
14.3	Relevant Education and Experience	45
14.4	Reliance on Certain Exemptions.....	46
14.5	Audit Committee Oversight.....	46
14.6	Pre-Approval Policies and Procedures	46
14.7	External Auditor Service Fees.....	46
15	INTEREST OF EXPERTS	47
16	ADDITIONAL INFORMATION.....	47
	SCHEDULE A.....	A-1

1 INTRODUCTORY NOTES

1.1 Cautionary Statement Regarding Forward-Looking Information

This annual information form (this “**AIF**”) contains “forward-looking statements” within the meaning of Section 27A of the United States Securities Act of 1933, as amended, Section 21E of the United States Exchange Act of 1934, as amended, the United States Private Litigation Reform Act of 1995, or in releases made by the United States Securities and Exchange Commission, all as may be amended from time to time, and “forward looking information” under the provisions of applicable Canadian securities legislation (collectively, “**forward-looking statements**”), including statements and information relating to, among other things, the plans of BSM Technologies Inc. (“**BSM**” or the “**Company**”) with respect to its products and services, including timing for product development; content and pricing; market and industry expectations; wireless communications; mobile fleet and telematics industries; general economic, business and political conditions; loss or addition of key employees; stock market volatility; changes in laws and regulations; and the Company’s ability to compete successfully, adapt to technological advances, changing industry standards and other matters. Often, but not always, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation thereof.

Forward-looking statements are made based upon certain assumptions and other important factors that, if untrue or incorrect, could cause the actual results, performances or achievements of the Company to be materially different from expected results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the Company’s plans with respect to its products and services, including timing, content and pricing; market and industry expectations; availability of third party products and services, the wireless communications; mobile fleet and telematics industries; general economic, business and political conditions; stock market volatility; changes in laws and regulations; anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements include, among others inability to integrate BSM’s solutions with third-party technologies; downtime or adverse conditions impacting third party hosting providers; inability to complete product integration with third party products and services; failure to effectively attract, sell to and retain medium and large sized customers competition; loss of, or significant reduction in, one or more of enterprise customers loss of key employees; privacy or data security breaches; product and technology development risks; inability to successfully increase sales of products and services to existing customers; liquidity risks; unscheduled downtimes affecting the Company’s products and services; dependence on lead generation channels to promote products; inability to retain and increase sales to existing customers; reliance on third-party cellular and global positioning system (“**GPS**”) network providers and inability to control price fluctuations or availability thereof; activities by governmental authorities (including changes in taxation); currency fluctuations; variable revenue earnings; failure of businesses to adopt fleet management solutions; industry consolidation, inability to adapt to rapid technology changes in BSM’s industry; litigation risks; regulatory restrictions; the Company’s insurance may not provide adequate levels of coverage; the global economic climate; share price volatility; failure to effectively implement or support acquisition strategy; failure to efficiently or successfully complete hardware device and software consolidation and additional funding requirements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to international operations, including economic and political instability in foreign jurisdictions in which the Company operates; risks related to current global financial conditions; environmental risks, as well as those factors discussed in the section entitled “Risk Factors” in this AIF and the Company’s audited annual consolidated financial statements for the fiscal years ended September 30, 2018 and 2017. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained in this AIF are made as of the date of this AIF and, accordingly, are subject to change after such date. Except as otherwise indicated by the Company, these statements do not reflect the potential impact of any non-recurring or other special items or of any disposition, monetization, merger, acquisition, other business combination or other transaction that may be announced or that may occur after the date hereof.

Forward-looking statements are used for the purpose of providing information about management’s current expectations and plans to allow investors and others to get a better understanding of the Company’s operating environment. The Company does not intend or undertake to publicly update any forward-looking statements that are included in this AIF, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

1.2 Currency

Unless otherwise stated herein, all references in this AIF to “dollars” or “\$” are to Canadian dollars and all references to “US\$” are to United States dollars.

1.3 General Information

The fiscal year end of the Company is September 30 of every calendar year. Except as otherwise indicated in this AIF, the information herein is given as of September 30, 2018. Unless otherwise indicated or the context otherwise requires, all references in this AIF to “**BSM**” or the “**Company**” refer to BSM Technologies Inc. and its subsidiaries, unless the context requires otherwise.

1.4 Non-GAAP Financial Measures

This AIF contains references to certain financial measures that do not have any standardized meaning prescribed by International Financial Reporting Standards (“**IFRS**”) and may not be comparable to similar measures presented by other companies. These non-IFRS 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 the cost of cellular and satellite data. Recurring Revenue is recognized monthly as services are delivered. The Company believes that Recurring Revenue provides useful information to investors because it shows the long-term nature of revenue earned from the Company’s customer relationships.

“Hardware Revenue” is comprised of revenue recognized for the sale of the Company’s proprietary and third-party hardware devices.

“Services Revenue” includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to the Company’s customers.

The Company believes that separately disclosing these revenue categories helps explain to investors the period-over-period variation in BSM’s financial performance. Furthermore, gross profit margin generated by each revenue category varies and the Company believes that disclosure of these different categories helps investors to better understand the composition of the Company’s total revenue and the impact of relative changes in revenue categories on total gross profit margin. For further information on the calculation and reconciliation of these non-GAAP financial measures, and other non-GAAP financial measures, please see the Company’s management’s discussion and analysis for the three and twelve months ended September 30, 2018, and 2017, available under the Company’s profile on SEDAR at www.sedar.com.

2 CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company was incorporated under the *Business Corporations Act* (Alberta) on July 29, 1996, under the name “Faymar Capital Corporation”. On December 23, 1996, the Company filed Articles of Amendment to, among other things, remove the private company share transfer restrictions. On October 15, 1997, the Company filed Articles of Amendment to change its name to “Valu-Net Corporation”. On October 14, 1999, the Company filed Articles of Continuance under the *Business Corporations Act* (Ontario) (the “**OBCA**”) and was continued in the Province of Ontario.

On April 17, 2000, the Company filed Articles of Amendment to create 16,000,000 First Preferred Shares, Series I. On July 19, 2001, the Company filed Articles of Amendment to change its name to “BSM Technologies Inc.”. On June 26, 2003, the Company filed Articles of Amendment to consolidate all of the issued and outstanding common shares in the capital of the Company (the “**BSM Shares**”) on a 7:1 basis, being one post-consolidation BSM Share for each seven pre-consolidation BSM Shares then outstanding. On March 4, 2006, the Company filed Articles of Amendment to consolidate the BSM Shares on a 100:1 basis, being one post-consolidation BSM Share for each one-hundred pre-consolidation BSM Shares then outstanding; provided, however, that there was no rounding up of shares on consolidation. On March 6, 2006, the Company filed Articles of Amendment to subdivide the BSM Shares on a 1:100 basis, being one-hundred post-consolidation BSM Shares for each one pre-consolidation BSM Share outstanding. On September 24, 2009, the Company filed Articles of Amendment to increase the authorized capital of the Company by creating the first series of First Preferred Shares consisting of an unlimited number of Series A First Preferred Shares, along with certain rights contained therein. On August 30, 2012, the Company filed Articles of Amendment to consolidate the BSM Shares on a 10:1

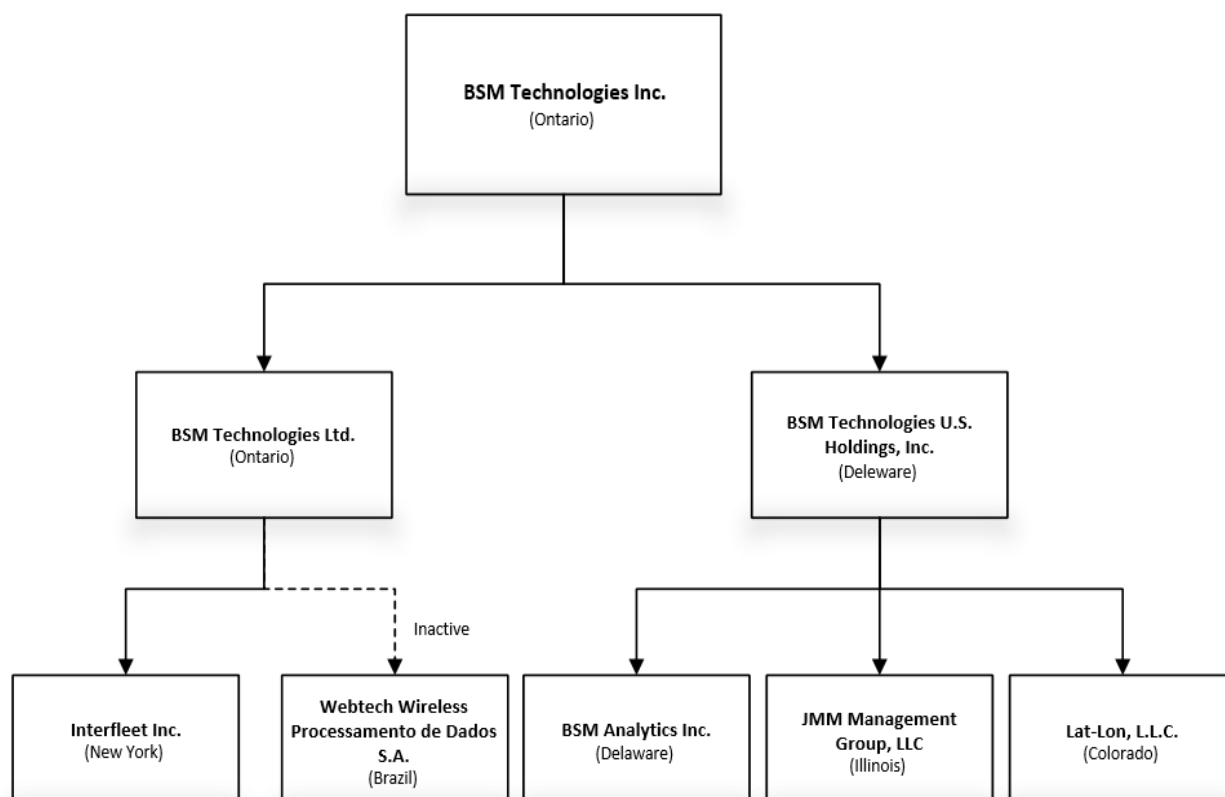
basis, being one post-consolidation BSM Share for each ten pre-consolidation BSM Shares then outstanding; provided, however, that all fractional shares resulting from the consolidation were rounded up to the nearest whole number of BSM Shares.

BSM's head and registered office is located at 75 International Boulevard, Suite 100, Toronto, Ontario, Canada, M9W 6L9. The Company also has operating offices in the following cities: (i) Toronto, Ontario, Canada; (ii) Waterloo, Ontario, Canada (iii) Burnaby, British Columbia, Canada; (iv) Laval, Québec, Canada; (v) Chicago, Illinois, United States; (vi) Denver, Colorado, United States; and (vii) Austin, Texas, United States. The Company's website address is www.bsmtechnologies.com. The content of the Company's website is not incorporated by reference into this AIF.

2.2 Inter-corporate Relationships

The Company has the following seven subsidiaries, all of which are wholly-owned (directly or indirectly): (i) BSM Technologies Ltd. ("**BSM Ltd.**"), an Ontario corporation; (ii) BSM Technologies U.S. Holdings, Inc. ("**BSM U.S.**"), a Delaware corporation (iii) JMM Management Group, LLC d/b/a JMM Global ("**JMM Global**"), an Illinois limited liability company; (iv) Lat-Lon, L.L.C. ("**Lat-Lon**"), a Colorado limited liability company; (v) BSM Analytics Inc. d/b/a Mobi ("**Mobi**"), a Delaware corporation; (vi) InterFleet Inc., a New York corporation; and (vii) Webtech Wireless Processamento de Dados S.A. ("**Webtech Brazil**"), a Brazil company.

All of the subsidiaries are 100% owned and/or controlled by the Company. The financial statements of each of the subsidiaries are consolidated within BSM's consolidated financial statements. The chart below illustrates the Company's inter-corporate relationships, together with the governing law of each company, as of the date of this AIF:



As of September 30, 2018, BSM Ltd., Lat-Lon and Mobi are the Company's material subsidiaries. BSM Ltd. is the principal operating entity of the Company. Mobi, Lat-Lon, and JMM Global are the other operating companies of BSM. InterFleet Inc. is principally a limited distributor sales organization responsible for sales and distribution in the United States.

Three of the Company's previous subsidiaries were dissolved or are in the process of being dissolved within the last fiscal year: (i) Webtech Wireless Europe Ltd., a United Kingdom corporation, is in the process of being dissolved, which is expected to be finalized on December 30, 2018; (ii) Webtech Wireless (USA) Inc., a Nevada corporation and SecTrack N.V., a Belgium corporation were dissolved in fiscal 2018. The Company will continue the process of winding up Webtech Brazil once its outstanding litigation is finalized. See "*Legal Proceedings and Regulatory Actions*" for further information with respect to these legal proceedings.

3 GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of BSM's key developments over the three most recently completed financial years, described beginning with the most recent.

3.1 Three Year History

The following is a summary of BSM's development over the three most recently completed financial years.

3.1.1 Fiscal 2016 Developments

On October 1, 2015, BSM announced that Mr. Lawrence (Larry) Juba had assumed the role of Chief Operating Officer that had been vacant since Mr. Periyalwar's retirement in April 2015.

On October 5, 2015, BSM announced that Mr. Peter Callaghan had assumed the new role of Chief Sales Officer and that Mr. Stewart Pinos had left his role as Chief Commercial Officer.

On October 5, 2015, BSM announced that it had received final approval from the Toronto Stock Exchange (the "**TSX**") to graduate from the TSX Venture Exchange and list the BSM Shares on the TSX (the "**TSX Graduation**"). The BSM Shares were listed and posted for trading on the TSX at the opening of markets on October 6, 2015. In connection with the listing of the BSM Shares on the TSX, the BSM Shares were delisted from the TSX Venture Exchange on October 6, 2015. The BSM Shares continue to trade on the TSX under the symbol "GPS".

On October 6, 2015, in connection with the TSX Graduation, the TSX accepted BSM's notice of intention to make a normal course issuer bid on substantially the same terms as the previously approved normal course issuer bid (the "**2015 NCIB**"). The 2015 NCIB was terminated on December 23, 2015. BSM appointed Paradigm Capital Inc. as its broker to conduct the 2015 NCIB. Under the 2015 NCIB, 348,300 BSM Shares were purchased and cancelled by BSM.

On December 17, 2015, BSM announced that the TSX had approved the Company's notice of intention to commence a normal course issuer bid (the "**2016 NCIB**"). The 2016 NCIB was terminated on December 22, 2016. BSM appointed Paradigm Capital Inc. as its broker to conduct the 2016 NCIB. Under the 2016 NCIB, 7,523,500 BSM Shares were purchased and cancelled by BSM.

Since 2008, Webtech Wireless Inc. ("**Webtech**"), a wholly-owned subsidiary of BSM now operating as BSM Ltd., has been involved in litigation in Brazil with a former distributor, Crown Processamento De Dados S.A. ("**Crown Brazil**"). In 2008, Crown Brazil obtained judgment

against Webtech. Following the 2008 decision, Crown Brazil entered into receivership administered by a Trustee. Following a series of legal proceedings, Webtech filed an appeal with the Court of Justice of the State of Minas Gerais, which, by unanimous decision on or around May 14, 2015, decided in favour of Webtech, overturned the lower court judgment and stated that no indemnification was owed by Webtech.

On or about June 10, 2015, Crown Brazil filed a motion to clarify with the Court of Justice of the State of Minas Gerais. On or around September 1, 2015, the motion to clarify was denied. Following this denial, on or around September 1, 2015, Crown Brazil filed an appeal to the President Judge of the Court of Appeals of the State of Minas Gerais. On or around November 4, 2015, Webtech filed its response to Crown Brazil's appeal to the President Judge. On or about December 18, 2015, the Chief Justice of the State of Minas Gerais denied Crown Brazil's appeal. Crown Brazil filed an interlocutory appeal to the Superior Court on January 20, 2016 and Webtech filed its response on March 14, 2016. The parties are currently waiting for a response from the Superior Court. See "*Legal Proceedings and Regulatory Actions*" for further information with respect to these legal proceedings.

On June 28, 2016, BSM announced that it had entered into an agreement with Crescendo Partners II L.P., Series R2 and Crescendo Partners III L.P. (collectively, the "**Crescendo Funds**"), two investment funds managed by Crescendo Advisors II LLC ("**Crescendo Advisors** ") and Jamarant Capital, L.P., a joint actor with the Crescendo Funds (collectively, the "**Significant Shareholders**"), pursuant to which BSM agreed to appoint three nominees of the Significant Shareholders to the board of directors of BSM (the "**Board**"). Pursuant to the agreement, Pierre Bélanger and John Gildner tendered their resignations as directors of BSM and the Board increased its size from six to seven directors. Kelly Edmison, Greg Monahan and David Sgro were appointed to fill the resulting vacancies on the Board. Following these changes, the Board is currently comprised of Messrs. Andrew Gutman, Aly Rahemtulla, Frank Maw, Leonard Metcalfe, Kelly Edmison, Greg Monahan and David Sgro.

On August 24, 2016, BSM and BSM U.S. entered into a second amended and restated credit agreement (the "**TD Credit Facility**") with The Toronto-Dominion Bank ("**TD**") to replace the previous credit facility. The TD Credit Facility includes a \$20 million revolving term credit facility maturing August 24, 2021 (with an additional \$5 million accordion). The TD Credit Facility provides additional financial flexibility to the Company. The TD Credit Facility ranks senior to all other indebtedness of the Company and each of its material subsidiaries, as defined in the TD Credit Facility, provided a guarantee and granted security in connection with the TD Credit Facility. The TD Credit Facility is also subject to certain terms, conditions, covenants, events of default, and other provisions customary in a transaction of this nature.

3.1.2 Fiscal 2017 Developments

On October 1, 2016, BSM Technologies Ltd. and Webtech, two wholly-owned subsidiaries of the Company, amalgamated to form one corporate entity continuing under the name "BSM Technologies Ltd.". Prior to the completion of the amalgamation, Webtech was continued in the Province of Ontario. Following the completion of the amalgamation, BSM Ltd. now possesses all the assets, rights and liabilities of Webtech.

On October 4, 2016, BSM announced that it had completed an asset purchase pursuant to an asset purchase agreement dated October 3, 2016, (the "**Mobi Purchase Agreement**"), among its wholly-owned subsidiary Mobi, its wholly-owned subsidiary BSM Ltd. and Mobi Corp. (the "**Seller**"), a Delaware corporation. Pursuant to the Mobi Purchase Agreement, BSM acquired substantially all of the assets of the Seller for initial cash consideration of US\$8.0 million before

working capital adjustments plus potential earn-out payments of up to US\$17.0 million (the “**Mobi Acquisition**”).

On November 15, 2016, BSM announced that Mr. Alban Hoxha was leaving his role as Chief Technology Officer to pursue other opportunities, effective January 20, 2017.

On December 19, 2016, BSM announced that the TSX had approved the Company’s notice of intention to commence a normal course issuer bid (the “**2017 NCIB**”). Under the terms of the 2017 NCIB, the Company was permitted to acquire up to 7,027,655 BSM Shares from time to time in accordance with TSX procedures, which represented approximately 10% of the total “public float” (as defined in the policies of the TSX) of the BSM Shares. On December 15, 2016, the Company had a total of 82,574,324 BSM Shares outstanding, of which a total of 12,297,772 BSM Shares were held by directors and senior officers, held in escrow or held by principal security holders. The 2017 NCIB commenced on December 23, 2016, and terminated on December 22, 2017. BSM initiated the 2017 NCIB in accordance with its belief that the market price of the BSM Shares at certain times may be attractive and that the repurchase of BSM Shares at such market prices is an appropriate use of corporate funds. BSM appointed Paradigm Capital Inc. as its broker to conduct the 2017 NCIB. Pursuant to the 2017 NCIB, 892,397 BSM Shares were purchased and cancelled by BSM.

On March 23, 2017, BSM announced that Mr. Douglas Swanson was being appointed as the Company’s new Chief Technology Officer which position had been vacant since Mr. Hoxha’s departure.

3.1.3 Fiscal 2018 Developments

On October 16, 2017, BSM announced that further to the Mobi Acquisition, the parties had reached an agreement (the “**Mobi Earn-Out Agreement**”) where, among other things, BSM, through its subsidiaries, paid the Seller US\$4,750,000 in lieu of any additional earn-out consideration that the Seller may have been entitled to under the Mobi Purchase Agreement. Pursuant to the terms of the Mobi Acquisition, the Company paid initial cash consideration of US\$8,000,000 to the Seller and the Company made a subsequent payment of US\$2,000,000 to the Seller for the achievement of its first earn-out target. Under the original terms of the Mobi Purchase Agreement, in addition to the two previous payments, the Seller was eligible to receive additional earn-out payments worth up to an additional US\$15,000,000 upon the completion of certain financial targets. By reaching the Mobi Earn-Out Agreement, the Company paid a total of US\$14,750,000 before working capital adjustments pursuant to the Mobi Acquisition.

On October 16, 2017, BSM also announced that Mr. Lawrence (Larry) Juba was retiring and leaving his role as the Company’s Chief Operating Officer and that Mr. Peter Callaghan was leaving his role as the Company’s Chief Sales Officer. The functions and responsibilities of these roles were assumed by the Company’s continuing senior management team.

On December 21, 2017, BSM announced that the TSX had approved the Company’s notice of intention to commence a normal course issuer bid (the “**2018 NCIB**”). Under the terms of the 2018 NCIB, the Company was permitted to acquire up to 7,002,017 BSM Shares from time to time in accordance with TSX procedures, which represented approximately 10% of the total “public float” (as defined in the policies of the TSX) of the BSM Shares. On December 14, 2017, the Company had a total of 81,988,685 BSM Shares outstanding, of which a total of 11,968,520 BSM Shares were held by directors and senior officers, held in escrow or held by principal security holders. The 2018 NCIB commenced on December 27, 2017, and will terminate on December 26, 2018, or earlier if the number of BSM Shares sought in the 2018 NCIB are purchased. BSM

initiated the 2018 NCIB in accordance with its belief that the market price of the BSM Shares at certain times may be attractive and that the repurchase of BSM Shares at such market prices is an appropriate use of corporate funds. BSM appointed Paradigm Capital Inc. as its broker to conduct the 2018 NCIB. As of December 1, 2018, 2,166,699 BSM Shares had been purchased and cancelled by BSM pursuant to the 2018 NCIB.

On March 31, 2018, PenderFund Capital Management Ltd. (“**Pender**”) filed an early warning report indicating that Pender exercised control or direction over 8,410,892 BSM Shares, representing approximately 10.2% of the issued and outstanding BSM Shares.

On August 27, 2018, BSM announced the appointment of Mr. Louis De Jong, BSM’s previous Chief Financial Officer, as BSM’s new President and Chief Executive Officer and the resignation of Mr. Aly Rahemtulla from both his role as BSM’s President and Chief Executive Officer and as a member of the board of directors. Further to this announcement, BSM announced the appointment of Mr. Stephen De Bolster as BSM’s Interim Chief Financial Officer.

On September 7, 2018, DDS Wireless International Inc. announced that it had, together with its parent company Ghai Investments Ltd., acquired an aggregate of 8,323,283 BSM Shares, representing approximately 10.2% of the issued and outstanding BSM Shares.

3.1.4 Recent Developments

On December 19, 2018, BSM announced the launch of its BSM illuminate software platform, a software platform designed to enable companies to make data driven operational decisions. BSM illuminate will allow companies and their users to leverage data insights, analytics and optimization tools for competitive advantage. BSM illuminate comprises a suite of powerful data analytics and optimization software modules delivered through a single software platform. BSM further announced a significantly expanded relationship with Geotab Inc. (“**Geotab**”). BSM illuminate users will have access to Geotab’s MyGeotab portal using the single sign on (SSO) capabilities of the BSM illuminate software platform. Embedding MyGeotab within BSM illuminate provides customers with a single access platform for core telematics functionality together with BSM’s value-added data analytics and optimization software modules.

In December 2018 Lat-Lon launched its new 15K Hazardous Location Solar Tracking Unit (“**STU15K-HL**”) hardware device. The STU15K-HL is the latest version of Lat-Lon’s most popular tracking and monitoring hardware device, specifically designed to withstand hazardous conditions. Upgrades to the STU15K-HL include the Lat-Lon certified category one 4G modem with 3G rollback, extended power capabilities for longer life in the dark, and enhanced geo-item options. Decreased power draws results in more frequent reporting on location and sensor data from the STU15K-HL. In addition, impact and wireless sensor options continue to be available on the STU15K-HL.

3.2 Significant Acquisitions

BSM did not complete any significant acquisitions in the fiscal year ended September 30, 2018, for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

4 DESCRIPTION OF THE BUSINESS

4.1 General

The Company is a leading provider of Internet of Things (“IoT”) enabled telematics and asset management solutions. Focused on the Government, Service, Rail and Construction markets, BSM provides the technology, tools and services required to connect, analyze and optimize fleets, equipment and people, empowering data driven operational decision making. BSM illuminate is BSM’s software platform, which enables companies to leverage data insights, analytics and optimization tools for competitive advantage. BSM operates as one reportable segment.

4.2 Type of Solutions

As an end-to-end IoT enabled telematics and asset management solution provider, BSM offers flexible solutions to its customers from hardware devices to software solutions. BSM’s solutions provide information that helps its customers’ monitor and manage their assets in the following primary areas:

Telematics: Hardware devices are installed on customer’s assets to retrieve data from the applicable asset. The hardware device transmits the data, such as, vehicle parameters, logistical data and vehicle location in near real time with the goal of facilitating an improved return on investment for customers.

Fuel and Maintenance: BSM and/or its licensors proprietary algorithms and reports enable customers to track and evaluate vehicle fuel consumption. This information assists customers in monitoring fuel costs and preventing fraudulent fuel purchases. BSM has developed maintenance software that allows customers to help manage their asset preventative maintenance electronically, with the goal of optimizing vehicle maintenance costs and eliminating manual paperwork and tracking.

Winter Maintenance: This solution provides detailed tracking of winter operations vehicles, including monitoring plow deployment, salt spreading and other de-ice and traction materials for government fleets to assist with managing expenses and inventory levels, environmental compliance and contractor management.

Compliance: BSM Drive and Driver Center products are mobile applications that interact with the Company’s telematics hardware device to connect directly through a vehicle’s engine control unit to capture near real-time data to improve compliance with government regulations and company-specific standards. BSM Drive and Driver Center products provide hours-of-service, speeding, harsh or extreme acceleration or braking, as well as location and time spent at designated areas functionality. BSM produces various reports to comply with government reporting requirements.

Routing and scheduling: By combining near real-time vehicle location information with mapping and fuel usage data, BSM solutions assist companies in optimizing fleet operations by managing planned versus actual routes in near real time. BSM’s solutions are able to provide notifications when drivers deviate from defined routes and give customers tools to optimize a set of variables.

Workflow management: BSM continues to build out its mobile solution set with a view to developing tools to manage customers’ workflow and/or mobile workforce optimization needs. Examples include event confirmation, signature verification and form processing.

Machine to machine: Machine to machine (M2M) communication refers to information passing through two devices for the purpose of monitoring or delivering alerts. BSM has developed a portfolio of hardware devices which enable customers to gather data from their stationary and mobile assets in one platform to assist in business analytics.

System integration: As BSM continues to expand the amount of data it collects, it is increasingly focusing on integrating this data into its customers' third-party systems, as requested. Examples include ERP, CRM, and fleet management solutions.

4.3 Sales and Distribution Model

BSM's customers operate in a broad range of markets across North America, including, among others, rail, construction, utility, transportation, services, oil and gas and government. The Company continues to refine its development and go-to-market efforts around target verticals – with particular emphasis on the government, service, rail and construction markets. The Company uses direct sales representatives in most of its major markets as its primary distribution channel but also leverages the use of channel partners. BSM's sales and marketing teams work primarily within dedicated sales groups which are assigned to key vertical markets. By assigning sales representatives to a key vertical market, the Company's sales representatives develop a strong industry specific knowledge which assists them in connecting with customers.

The Company's pricing models affords its customers flexibility in determining which solution fits their needs. Hardware devices may be purchased up-front, through installment payments or through a managed service subscription. In addition to hardware devices, the Company also sells monthly subscriptions to customers to access the Company's software solutions and gain insight on the data captured by hardware devices. Subscription pricing is based upon a fee matrix that includes certain base service levels derived from the number of users a customer requires and the 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 may 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 used; (iv) the number of subscriptions purchased; (v) the location of customer.

4.4 Products and Services

BSM's suite of solutions includes:

BSM illuminate

BSM illuminate consolidates capabilities from across the Company's various solutions, providing access to an array of software modules which deliver business intelligence and analytics. One of the primary benefits of BSM illuminate is its ability to enable businesses with a significant dependency and investment in vehicles and other powered and non-powered assets to answer key operational questions relating to the delivery of their products or services.

BSM illuminate users have access to Geotab's MyGeotab portal using the single sign on (SSO) capabilities of the BSM illuminate software platform. Embedding MyGeotab within BSM illuminate provides customers with a single access platform for core telematics functionality together with BSM's value-added data analytics and optimization software modules.

The BSM illuminate solution currently provides customers with the following features, with additional features being developed:

- Vehicle Tracking
- Trailer and non-powered asset tracking
- Safety and Maintenance
- Electronic logging device compatibility
- Fuel and maintenance
- Engine Diagnostics
- Data access and reporting
- Driver identification

Sentinel Fleet Management

The Sentinel fleet management (“**Sentinel FM**”) solution provides near real-time fleet and asset tracking solutions. Specifically, the Sentinel FM products are offered as either: (i) a single mode cellular reporting device; (ii) a dual mode cellular and satellite device; or (iii) a dual mode cellular and satellite device with Wi-Fi reporting capabilities.

The Sentinel FM solution provides customers with:

- Fleet and asset tracking
- Interactive mapping
- Landmarks and geozones
- Near real-time alerts
- Actionable reports
- Electronic logging device compatibility
- Fuel and maintenance
- Safety and compliance
- Machine to machine (M2M)
- Routing
- Workflow management
- Reefer Monitoring

illuminate.Regulate

illuminate.Regulate, and its predecessors Sentinel Drive and Driver Center, is designed to give customers the necessary tools and visibility to make proactive fleet management decisions and completely automate current paper based log book and inspection processes.

illuminate.Regulate enables both compliance professionals and fleet drivers, via both web and mobile, to improve operational efficiencies and decrease costs due to violation breaches. The solution is also fully integrated into the BSM illuminate software platform and embeds Geotab Drive and myGeotab to satisfy core regulatory requirements for electronic driver logs within the United States and Canada.

The illuminate.Regulate module is capable of providing:

- Electronic Driver Log (ELD) regulation compliance within the US and Canada
- In-cab Mobile Data Terminal (“MDT”)
- Graphical logs
- Web-based reports
- Driver identification
- Vehicle Inspection Reporting (DVIRs)

Fleet Center

The Fleet Center product line includes similar functionality to the Sentinel FM solution with some complimentary and vertical market specific features, particularly in the government winter operations market. Launched in 2014, Fleet Center combines and enhances the functionality of Webtech’s previous two legacy brands: InterFleet and Quadrant. With Fleet Center, fleet

managers are able to track and communicate with their fleets and receive localized services such as navigation.

AutoVision Fleet Management

The AutoVision fleet management (“**AutoVision FM**”) solution delivers service and solutions to customers who manage large fleets throughout North America. The solution addresses critical areas such as vehicle location, near real-time alerts, dispatch, vehicle diagnostics and maintenance reporting.

The AutoVision FM solution provides:

- Near real-time location tracking
- Engine diagnostics
- Driver identification
- Analysis of driver behaviour
- Ability to reduce idling time
- Equipment usage optimization

iTrax

The iTrax solution provides remote web-based tank monitoring solutions used by customers to monitor levels of pressurized gas and liquid tanks. iTrax’s flexible hardware solutions enables customers to remotely monitor their tanks, and send status updates and alerts, reducing unnecessary trips to the tanks.

The iTrax solution provides:

- 24/7/365 visibility into the status of the tanks from any Internet connected device
- Automatic alerts for tank level, pressure, temperature and battery life
- Local sensor visualisation of all sensors connected to the gateway
- LCD display of tank elements
- Remote programming updates over-the-air

JMM Global

JMM Global’s core product offering, APEC (Application Portal for Environmental Compliance), provides customers with the ability to manage compliance and regulatory requirements for both underground storage tanks (USTs) and aboveground storage tanks (ASTs). The key services provided by APEC include:

- Alarm monitoring
- Release detection reporting
- Event tracking
- Site inspection
- Operator training
- Compliance surveys/audits

Lat-Lon

Lat-Lon offers two main types of hardware devices: (i) a solar powered tracking unit; and (ii) a locomotive monitoring unit. These hardware devices are installed on an asset (such as rail cars or locomotives) and are used to capture and report information which customers can access

through Lat-Lon’s software platform. The platform enables customers to view information such as:

- Location
- Impact detection
- Deceleration detection
- Pressure change
- Engine voltage
- Temperature

Mobi Solutions

Mobi has a core software product offering of several modules using GPS data and analytics to enable its customers to better manage operational activities such as planning, scheduling, routing and dispatch. The core software products include:

- mobi.Appointment. Enables customers to schedule service delivery times and appointments in an efficient and optimal way.
- mobi.Route. A software platform provided to customers to reduce mileage and increase on time arrival allowing users to balance operational costs and customer satisfaction.
- mobi.Dispatch. Assists customers in managing their workday with near real-time, suggest-and-assist technology to manage same day schedule changes.
- mobi.Result and mobi.Insight. When used together, these GPS products enable users to access key operating metrics such as revenue compared to cost-per-trip and easily identify variances between planned and actual performance.

4.5 Business Operations

BSM’s consolidated revenue in fiscal 2018 and fiscal 2017 was \$59,735,000 and \$66,717,000, respectively.

Revenues

Revenue by product category:

(in thousands of Canadian dollars)	Year ended September 30, 2018	Year ended September 30, 2017
Recurring Revenue ⁽¹⁾	\$44,648	\$45,660
Hardware Revenue ⁽¹⁾	\$11,003	\$17,700
Service Revenue ⁽¹⁾	\$4,084	\$3,357
Total revenue	\$59,735	\$66,717

Notes:

(i) *Recurring Revenue, Hardware Revenue and Service Revenue do not have standardized meanings under IFRS; therefore, they are unlikely to be comparable to similar measures presented by other companies. See “General Information – Non-GAAP Financial Measures” for further details.*

BSM derives the majority of its revenue from one comprehensive product line, Telematics, which provides monitoring of fixed and mobile assets. Telematics, generally, is a combination of

the words telecommunications and informatics. For BSM, Telematics involves the use of GPS technology, computers and mobile devices. The Company's Telematics solution primarily includes a hardware device with telecommunications capability being installed on an asset, such as a vehicle, where the hardware device gathers information or data related to the asset and then transfers, via cellular or satellite networks, the information or data (such as GPS positioning) to BSM. BSM then makes the assets data and information available to its customers via the internet.

Within this product line, BSM has three main revenue streams:

- (1) **Recurring Revenue.** Recurring Revenue includes monthly application service provider fees, monthly monitoring fees, and the cost of cellular and satellite data. BSM enters into services contracts with its customers, most of which are for a duration of 36 months or longer. Recurring Revenue is recognized monthly as services are delivered;
- (2) **Hardware Revenue.** Hardware Revenue is comprised of revenue recognized for outright hardware device sales as well as for the hardware portion of multiple element arrangements; and
- (3) **Service Revenue.** Service Revenue includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to the Company's customers.

For further details on the Company's revenue streams, please see the Company's management's discussion and analysis for the three and twelve months ended September 30, 2018, and 2017.

Functional Department Operating Expenses

(in thousands of Canadian dollars)	Year ended September 30, 2018	Year ended September 30, 2017	<i>Increase (Decrease)</i>	
Sales and marketing	\$13,163	\$15,573	\$(2,410)	(15%)
Research and development	\$14,119	\$12,745	\$1,374	11%
General and administrative	\$11,818	\$13,128	\$(1,310)	(10%)
Total Functional Department Expenses	\$39,100	\$41,446	\$(2,346)	(6%)

Sales and marketing ("**S&M**") expenses include the employee costs related to BSM's pre-sales team of solutions engineers; the salaries, benefits, travel and commission costs of our direct sales team; advertising and marketing costs; sales administration costs; and, the amortization of acquired customer contracts and relationships. Compared to the year ended September 30, 2017, S&M expenses decreased due to lower employee costs resulting from restructuring activities completed in the last quarter of fiscal 2017 and lower commissions expenses in the current year.

Research and development ("**R&D**") expenses consist of employee salaries, consultant fees, the amortization of acquired technology assets and other expenses associated with software and hardware development. R&D expenses also include amortization of technology acquired in acquisitions. The increase in R&D expenses as compared to the fiscal year ended September 30, 2017, is attributable to our investment in human capital to enhance existing products and to develop new product offerings. BSM continues to invest in its R&D team and invest in R&D

activities to maintain technical leadership and enhance the Company's solutions roadmap. BSM believes that investing in R&D will allow the Company to develop new product features and services that will increase BSM's revenues and margins in the future.

General and administrative ("**G&A**") expenses consist of employee salaries related to finance, human resources 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. As compared to the year ended September 30, 2017, G&A expenses decreased 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.

For further details on operating expenses, please see the Company's management's discussion and analysis for the three and twelve months ended September 30, 2018, and 2017.

Hardware Device Production and Professional Services Operations

BSM offers a combination of proprietary hardware devices and third-party hardware devices. The Company is increasingly using third party hardware devices and reducing the deployment of its own hardware devices. BSM's hardware devices are primarily pre-built by contract manufacturing suppliers and then assembled at BSM's Burnaby based manufacturing facility. BSM uses both local and offshore contractors in the manufacturing of its hardware devices. Where contract manufacturers are used, BSM itself sources some major components including some long lead-time parts and peripherals, such as modems, sensors and buzzers. BSM's products require final assembly and configuration, testing, packaging and shipping, which is conducted at BSM's facilities or by BSM's contract manufacturers. The Company is increasingly using third party hardware devices as a strategic change from manufacturing its own hardware devices.

In addition, BSM provides professional services to customers such as project management, custom software development, account management services, training and installation. These services are either completed directly by BSM employees or they are subcontracted to third-party providers, depending, in part, on a customer's location or preference. Installation of hardware devices are primarily completed by BSM authorized third-party installation companies located in close proximity to applicable customers.

Specialized Skill and Knowledge

Due to the technical nature of its business and the dynamic market in which BSM competes, BSM's continued success depends on attracting and retaining highly skilled engineering, managerial, operations and sales personnel. In particular, BSM's future success depends in part on the continued services of its key employees.

Research and Development Projects

BSM continuously conducts R&D activities related to its software, firmware and hardware devices. From time to time, BSM introduces next generation products as part of a continuous product management program. Generally, at any given time, there are a number of products in various stages of development working towards commercial release in the normal course of business.

Competitive Conditions

BSM operates in a highly-competitive environment, consisting of a significant number of vendors with relatively low barriers to entry. Competition in the Company's industry is based primarily, but not exclusively, on the level of difficulty of installing, using and integrating solutions; total cost of ownership, product performance, functionality, interoperability, brand and reputation, sales distribution channels, vertical market industries and the financial resources vendors. The Company expects the industry to continue to be competitive in the future with the introduction of new technologies and market entrants and the possible consolidation of competitors. Other mobile service and software providers provide limited competing services at lower prices or no charge, such as basic GPS-based mapping, tracking and turn-by-turn directions that could be expanded or further developed to more directly compete with the Company's solutions.

Vehicle original equipment manufacturers ("OEMs") provide factory-installed capabilities that may compete directly or indirectly with the Company by partnering with one or more fleet management suppliers. BSM does not currently partner with any OEMs.

Due to an assortment of differentiating capabilities, the Company has historically been able to command a premium price for its solutions; however, the Company's competitors may reduce their pricing in order to more effectively compete with the Company. This could result in a decrease in the Company's subscription volumes or cause the Company's customer cancellation rate to increase. Some of BSM's known key telematics competitors are: (i) Verizon Wireless; (ii) Trimble Navigation Limited; (iii) FleetComplete; and (iv) CalAmp Corp.

BSM has positioned itself with end-to-end IoT solutions which provide a variety of services as opposed to a single service offering. This flexibility coincides with BSM's software platform and vertical market focus, which BSM believes is important to providing value to certain market segments and providing fleet management reporting and services beyond vehicle tracking.

New Products

See "*General Development of the Business – Recent Developments*" for further information with respect to BSM illuminate, the Company's recently announced a new software platform. In addition to development efforts related to BSM illuminate, the Company continued to make strategic and customer driven product enhancements in fiscal 2018. Some of the achievements in the 12 months prior to the date of this AIF included:

- On-going support and feature enhancements on the Sentinel Drive application (the previous generation of BSM Drive) on Android (a mobile operating system created and developed by Google), iOS (a mobile operating system created and developed by Apple) and Windows 10 (a mobile operating system created and developed by Microsoft);
- On-going support and feature enhancements on the Fleet Center application including reporting enhancements and improvements to the Webtech 511 application which (intended for winter storm season) provides the status of winter operations within neighbourhoods and displays the location of snow plows as they travel their routes;
- Next generation improvements to the mobi.Dispatch application; and
- Launching the MDT 3600, a next generation ruggedized MDT, supported by both BSM Drive and Driver Center mobile applications.

Component Pricing and Sourcing

BSM has supply relationships with a number of organizations including, among others, Getoab, CalAmp, Cinterion Wireless Modules GmbH and Telit Communications PLC (modems), Micronet (MDTs), various telecommunications providers (cellular and satellite communications), which supply the critical components of BSM's products and services. The components in BSM's proprietary hardware products are largely generic and have become commoditized as the global telematics and IoT markets have grown. This is a benefit to BSM as it helps reduce the price of components, provides multiple vendors to select from and provides consistent technical advancement.

BSM primarily uses third-party contract manufacturers for the production and assembly of its hardware devices, benefitting from the large scale that such contract manufacturers are able to achieve at their facilities. For small scale orders and for testing of prototypes and engineering runs, BSM has an in-house production team.

As a majority of the components that BSM procures are denominated in U.S. currency, the costs of these components are subject to foreign currency risk. An increase in the value of the United States dollar relative to the Canadian dollar would cause an increase in the price of components. See "*Description of the Business – Risk Factors – Foreign Exchange*".

Intellectual Property

BSM's intellectual property with respect to its products and services is important to the Company's success. As such, BSM protects its intellectual property through a combination of patents, copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect the Company's proprietary information and technology. As the Company continues to innovate and expand its current product offerings, the Company expects to continue to expand its portfolio of intellectual property (including patents).

Given the importance of intellectual property to the Company's business, as a part of its confidentiality procedures, the Company has a policy of entering into confidentiality agreements and agreements to assign ownership of proprietary information and inventions to the Company with BSM's employees, consultants, customers and partners. Despite these efforts to protect the Company's proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of the Company's products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. See "*General Description of the Business – Risk Factors*".

Sales Cycles

BSM has directed sales to medium-sized business as well as large organizations. BSM has also established "channel" relationships with major telecommunications carriers as a sales strategy. The sales cycle for prospective customers can vary from weeks to several months. BSM also provides large customers with products on a trial or "pilot" basis. These pilots will typically last for a few months but may last for a year or more. Moreover, the deployment of large sales orders through a customer's fleet may take several months as the customers require planning to coordinate installations and the deployment of the solution offered. As a result, predicting sales for a quarter is difficult as sales cycles or pilots may close in a quarter or may move into subsequent quarters. BSM's winter maintenance portion of the Company's sales are subject to some degree of seasonality, where monthly recurring application revenues are generally lower in

the summer months while the applicable hardware devices are placed in stand-by mode until the subsequent winter months.

Economic Dependence

BSM manufactures a large portion of its hardware devices from its Burnaby, British Columbia manufacturing facility. BSM also maintains inventories of long lead-time parts and some finished goods to avoid excessive dependence on these suppliers.

BSM also sources third-party hardware devices from various suppliers in North America. BSM relies on acquired, licensed and internally developed technologies to its products and solutions, including, but not limited to, wireless cellular and satellite data communications.

Change to Contracts

BSM provides services to large commercial fleet enterprise customers, including various levels of government across North America. As a part of this process, the awarding of contracts with these customers is often subject to requests for proposals or other similar bidding processes. This sales process is lengthy, time consuming and subject to renegotiations, cancellations and uncertainty. From year to year, these contracts often expire, and a customer's procurement policies may require them to submit the contract to a new competitive bidding process which increases the chances of losing a particular customer. In addition, many of the Company's government contracts and enterprise customers contracts contain a termination for convenience provision which entitles the government agency or enterprise customer to terminate the contract with little notice to the Company.

Employees

As at September 30, 2018, BSM had the following employees and contractors:

Location	Employees (Full-time)	Contractors
Toronto, Ontario, Canada	60	3
Waterloo, Ontario, Canada	21	0
Burnaby, British Columbia, Canada	75	0
Edmonton, Alberta, Canada	7	2
Laval, Québec, Canada	16	0
Chicago, Illinois, United States	19	2
Denver, Colorado, United States	19	0
Austin, Texas, United States	15	1
Other locations	11	4
Total	243	12

All of BSM's employees are non-unionized and are not subject to a collective bargaining agreement. Generally, management believes that labour relations at all of BSM's locations are in good standing.

Facilities

As at September 30, 2018, the Company maintained the following leases of office space:

Location	Square Feet Under Lease	Occupied or Subleased	Expiry Date
Toronto, Ontario, Canada	16,229	Occupied	February 2022
Toronto, Ontario, Canada	3,091	Occupied	August 2019
Waterloo, Ontario, Canada	3,308	Occupied	September 2020
Burnaby, British Columbia, Canada	6,479	Occupied	July 2022
Burnaby, British Columbia, Canada	15,900	Occupied	July 2022
Laval, Québec, Canada	3,752	Occupied	January 2022
Chicago, Illinois, Unites States	5,040	Occupied	April 2021
Denver, Colorado, Unites States	8,380	Occupied	December 2019
Austin, Texas, United States	9,464	Occupied	December 2021

Credit and Lending

Where a credit risk has been identified, BSM frequently requires that new customers make a whole or partial payment in advance of shipping any orders until such time as a customer has proven payment history. Exceptions to such credit policies may only be authorized by a senior executive in writing.

Foreign Operations

As of September 30, 2018, the majority of the Company's sales came from Canada and the U.S., as described by the table below.

Revenues by geography (based upon customer location):

	Year ended				Percentage Variance
	September 30, 2018		September 30, 2017		
	(\$ in Canadian dollars)	%	(\$ in Canadian dollars)	%	
Canada	24,325	40.7	25,327	38.0	2.7
United States	34,727	58.1	40,306	60.4	(2.3)
International	683	1.2	1,084	1.6	(0.4)
Total	59,735	100.0	66,717	100.0	

4.6 Reorganizations

See "General Development of the Business – Fiscal 2017 Developments" for further information with respect to reorganizations.

4.7 Risk Factors

This AIF contains forward-looking statements regarding the Company, its business, prospects and results of operations that involve risks and uncertainties. The following risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The risks described below are not the only risks facing BSM. Additional risks and uncertainties not currently known to BSM, or that BSM currently deems immaterial, may also impair BSM's

operations. If any of the following risks actually occur, BSM's business, financial condition and operating results could be adversely affected.

In addition to the risk factors outlined below, a discussion of financial risk factors related to BSM and its business appears under the "*Updates to Risks and Uncertainties*" section of the Company's management's discussion and analysis for the three and twelve months ended September 30, 2018, and 2017, and in Note 14 – *Financial Instruments, related risks and capital disclosures* of the Company's audited annual consolidated financial statements for the fiscal years ended September 30, 2018, and 2017, which are incorporated by reference herein.

Dependence on Third Party Products and Services

BSM is increasingly relying on third party hardware devices and software and other intellectual property licensed from third parties to develop and offer its solutions, including mapping software and data storage to provide solutions to customers. In addition, the Company may need to obtain future licenses from third parties to use software or other intellectual property associated with the Company's solutions. BSM cannot predict whether these hardware devices or software licenses will be available to the Company on acceptable terms, without significant price increases or at all. Any loss of the right to use any such hardware devices or software or other intellectual property required for the development and maintenance of the Company's solutions could result in delays in the provision of the Company's solutions until equivalent technology is either developed by the Company, or, if available from others, is identified, obtained, and integrated, which could harm the Company's business. Any errors or defects in third-party hardware devices or software could result in errors or a failure of the Company's solutions, which could harm the Company's business.

BSM also relies on relationships with several suppliers and service providers to provide critical components for its products and services. In the event that the Company is unable to maintain these relationships or establish relationships with new suppliers or service providers as required, the availability, pricing and quality of its products and services may be adversely affected causing an adverse effect on the Company's business, operating results and financial condition. Relationships with third-party suppliers and service providers expose the Company to risks associated with the integrity, quality, reputation, solvency and performance of such parties.

The components that BSM sources for its products and services are highly specialized. In the event that a supply relationship is terminated, there is a risk that a replacement supply may not be found on a timely basis or at all. If supply is not available, there is a risk that BSM may be unable to service its customers resulting in, among other things, a loss of business, penalties and claims for damages.

Third Party Hosting

BSM hosts its solutions and serves its customers from both the Company's network servers, which are principally located at third-party data center facilities in Canada and the United States, as well as cloud hosting providers. While the Company has control and has access to the servers and all of the components of the Company's network that are located in the Company's external data centers, the Company does not control the operation of these facilities. Problems faced by these third-party data center locations, with the telecommunications network providers with whom BSM or such third-party data center locations contract, or with the systems by which the Company's telecommunications providers allocate capacity among their customers, including the Company, could adversely affect the experience of the Company's customers.

The Company's third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by the third-party data center operators or any of the service providers with whom the Company or such operators contract may have negative effects on the Company's business, the nature and extent of which are difficult to predict. Further, if the data centers are unable to keep up with the Company's growing needs for capacity, this could have an adverse effect on the Company's business. The Company's disaster recovery systems are located at its third-party hosting facilities. While the Company is increasing redundancy, the Company's systems have not been tested under actual disaster conditions and may not have sufficient capacity to recover all data and services in the event of an outage. In the event of a disaster in which the Company's disaster recovery systems are irreparably damaged or destroyed, the Company would experience interruptions in access to the Company's products. Any changes in third-party service levels at the data centers or any errors, defects, disruptions, or other performance problems with the Company's solutions could harm the Company's reputation and may damage the Company's data. Interruptions in the Company's services may reduce the Company's revenue, cause the Company to issue credits or refunds to customers, subject the Company to potential liability, or increase customer cancellation rates.

Solution Integration with Third Party Products

Many of the Company's solutions integrate with third-party software and devices to allow the Company's solutions to perform key functions. Although to date this integration has been accomplished using open software interfaces and simple physical linkages, the Company cannot guarantee that this ease of integration will continue or that the Company will be able to integrate with other products as easily or without additional cost. Errors, viruses or bugs may be present in third-party software that the Company's customers use in conjunction with the Company's solutions. Changes to third-party software that the Company's customers use in conjunction with the Company's solutions could also render the Company's solutions inoperable. Customers may conclude that the Company's software is the cause of these errors, bugs or viruses and terminate their subscriptions. The inability to easily integrate with third-party software, or any defects in such software, could result in increased costs, or in delays in software releases or updates to the Company's products until such issues have been resolved, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and future prospects and could damage the Company's reputation.

Retaining Existing Customers

For its telematics customers, the Company's standard customer agreements are for an initial term of 36 months and provide for an automatic renewal for subsequent one-year periods unless the customer elects otherwise. Customers may choose not to renew their subscriptions for many reasons, including the belief that the Company's service is not required for their business needs or is otherwise not cost-effective, a desire to reduce discretionary spending or a belief that a competitors' services provide better value. Additionally, customers may not renew for reasons entirely out of the Company's control, such as the dissolution of their business, which is particularly common for small and medium sized business (SMB) customers, requirements to issue requests for proposals, or an economic downturn in their industry. A significant increase in the Company's customer cancellation rate would have a material adverse effect on the Company's business, financial condition, and operating results.

Privacy Requirements

The Company is dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information and, in the normal course of BSM's business, BSM collects and retains certain information pertaining to its customers and employees. The protection of customer and employee data is critical to the Company. BSM attempts to identify security vulnerabilities in its products and information technology systems; however, the security measures put in place by the Company cannot provide absolute security, and the information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents due to employee or customer error, malfeasance, or other vulnerabilities. Cybersecurity attacks are increasingly sophisticated, change frequently, and often go undetected until after an attack has been launched. BSM may fail to identify these new and complex methods of attack, or fail to invest sufficient resources in security measures. The Company cannot be certain that advances in cyber-capabilities or other developments will not compromise or breach the technology protecting the networks that access the Company's services.

If a security breach occurs, the Company's reputation, business, results of operations and financial condition could be harmed. Though it is difficult to determine what harm may directly result from any specific interruption or security breach, any failure or perceived failure to maintain performance, reliability, security and availability of systems or the actual or potential theft, loss, fraudulent use or misuse of the Company's products or the personally identifiable data of a customer or employee, could result in reputational damage, individual or class action lawsuits, or federal, provincial or state enforcement actions. Any of these outcomes could result in financial judgments against the Company, which may cause the Company to incur significant legal fees and costs.

Technology Innovations

BSM operates in a highly-competitive environment where its products and services are subject to rapid technological change and evolving industry standards. BSM's future success depends on its ability to design and produce new products and services, deliver enhancements to its existing products and services, accurately predict and anticipate evolving technology and respond to technological advances in its industry, and respond to its customer's increasingly sophisticated needs. The Company's products and services are comprised of complex technology that may not meet those standards, changes and preferences. If the Company is unable to respond to technological changes, fails or delays to develop products and services in a timely and cost-effective manner, the Company's products and services may become obsolete, which may negatively impact sales, profitability and the continued viability of the business.

Selling Additional Products and Solutions to Existing Customers

An important part of the Company's growth strategy is to sell additional new features and solutions, including those acquired through acquisitions, to BSM's existing customers. The Company's ability to sell new features to existing customers will depend in large part on the Company's ability to anticipate industry evolution, practices and standards and to continue to enhance existing solutions or to introduce or acquire new solutions on a timely basis to keep pace with technological developments within the Company's industry. However, the Company may prove unsuccessful either in developing new features or in expanding the third-party software and products with which the Company's solutions integrate. In addition, the success of any enhancement or new feature depends on several factors, including the timely completion, introduction and market acceptance of the enhancement or feature. Any new solutions the Company develops or acquires may not be introduced in a timely or cost-effective manner and

may not achieve the broad market acceptance necessary to generate significant revenue. If any of the Company's competitors implement new technologies before the Company is able to implement them or better anticipates the innovation and integration opportunities in related industries, those competitors may be able to provide more effective or less expensive solutions than BSM.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. The Company facilitates this in part by maintaining a line of credit with a major Canadian bank.

Unscheduled Downtimes

BSM's ability to attract, retain, and serve its customers is dependent upon the reliable performance of its solutions and its customers' ability to access BSM's solutions at all times. BSM's customers rely on its solutions to make operating decisions related to their fleet, as well as to measure, store and analyze valuable data regarding their businesses. The Company's solutions are vulnerable to interruption and its data centers and connected-devices are vulnerable to damage or interruption from, among other things, human error, intentional bad acts, computer viruses, cyber-criminals, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware device failures, systems failures, telecommunications failures, and similar events, any of which could limit the Company's customers' ability to access BSM's solutions.

Prolonged delays or unforeseen difficulties in connection with adding capacity or upgrading BSM's network architecture may cause BSM's service quality to suffer. Any event that significantly disrupts the Company's service or exposes the Company's data to misuse could damage BSM's reputation and harm BSM's business and operating results, including reducing BSM's revenue, causing the Company to issue credits to customers, subjecting the Company to potential liability, increasing customer cancellations, or increasing the Company's cost of acquiring new customers.

Distributors and Resellers

BSM relies, in part, on distributors and resellers to sell its products in various countries around the world and there is a risk that certain of these distributors and resellers may terminate their relationship with the Company. If such relationships are terminated, the Company's ability to generate revenues may be negatively impacted.

Reliance on GPS and Wireless Network Providers

The Company's products and solutions are critically linked to two processes: (i) communication between solutions installed on assets and GPS satellites; and (ii) communication between solutions installed on assets and cellular networks, which allow the Company to obtain location data and transmit it to the Company's system. Increases in the fees charged by wireless network providers for data transmission or changes in the cellular and satellite networks, such as a cellular or satellite carrier discontinuing support of the network currently used by the Company's solutions installed on assets, requiring retrofitting of the solutions could increase the Company's costs and impact its profitability. In addition, while the Company's solutions have the ability to store GPS data in case of temporary cellular network connectivity failure, widespread disruptions or extended failures of the cellular or satellite networks would adversely affect the timeliness of the Company's solutions' functionality and utility and harm the Company's financial results. The

Company's mobile applications, including BSM Drive, use customers' smartphones or similar device and communicates over their cellular networks.

Many of BSM's products rely on signals from satellites, and other ground support systems, that the Company does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of BSM's products and services and/or the growth of current and additional market opportunities, which would adversely affect the results of BSM's operations. Further, there is no assurance that governments will remain committed to the operation and maintenance of GPS satellites over a long period of time; or that the policies of governments for the commercial use of GPS without charge will remain unchanged.

Inability to successfully use the Mobi Products

BSM completed the Mobi Acquisition to broaden its service based product lines in order to enhance its offerings to enterprise clients. Achieving the benefits of the Mobi Acquisition depends in part on the ability of BSM to effectively capitalize on its scale, to profitably sequence growth prospects of its customer base and to maximize the potential of its improved growth opportunities. Moving forward, being able to effectively cross-sell the Company's various product offerings with existing clients will be important to increasing revenue.

Foreign Exchange

A significant portion of the Company's business is conducted outside Canada and, as such, exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's product and services are sold principally in Canadian and United States dollars and the Company's product costs are incurred principally in Canadian and United States dollars. Although the Company reports its financial results in Canadian dollars, for the fiscal year ended September 30, 2018, 58.1% of revenues were United States dollars denominated (September 30, 2017 – 60.4%). A strengthening of the Canadian dollar against the United States dollar would decrease total revenues when reported in Canadian dollars.

Variable Revenues/Earnings

The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the BSM Shares. Revenues and earnings may vary from quarter to quarter as a result of a number of factors, including, but not limited to, the timing of releases of new products or services, the timing of substantial sales orders or deliveries, activities of the Company's competitors, cyclical fluctuations related to the evolution of wireless technologies, possible delays in the manufacture or shipment of current or new products, concentration in the Company's customer base and possible delays or shortages in component supplies.

Customer Concentration

BSM has a large concentration of large commercial fleet enterprise customers, including various levels of government across North America and a broad base of small and medium sized business (SMB) customers. In recent years, BSM has increasingly focused its sales and marketing initiatives toward larger enterprise customers. While no single customer represented more than 10% of the Company's revenue in the fiscal years ended September 30, 2018, or 2017,

loss of one or more large enterprise customers could result in a meaningful decrease in revenue and profitability, as well as a material increase in the Company's customer cancellation rate.

As a result of the variability of the industries in which the Company's enterprise customers operate and the unpredictability of economic conditions in any particular industry which comprises a significant number of the Company's enterprise customers, the composition of, and the number of subscriptions from, the Company's enterprise customers is likely to change over time. If the Company loses one or more large enterprise customers, or if the Company experiences a significant reduction in subscriptions from one or more large enterprise customers, there is no assurance that the Company would be able to replace such customers or subscriptions to generate comparable revenue over a short period of time, which could harm the Company's operating results and profitability.

Industry Growth and Market Demand

The overall market for IoT solutions has experienced significant growth in recent years. BSM's success is dependent on its ability to market its IoT products and services in an effective manner. There can be no assurance that the Company's current vertical and geographic markets will grow, or that BSM will be successful in establishing itself in new vertical and geographic markets. There is no guarantee that the Company will be able to respond to market demands. If the Company is unable to effectively develop and expand the market for its products and services, the Company's growth may be adversely affected. In addition, if the various markets in which BSM's products and services compete fail to grow, or grow more slowly than BSM currently anticipates, or if BSM is unable to establish itself in new markets, BSM's growth plans could be materially adversely affected.

Additional Funding Requirements

The Company's success is predicated on its ability to finance growth. Management believes that operations and commitments will be adequately financed over the coming years; however, the Company's ability to satisfy its future growth activities may be dependent on the availability of future financing. There can be no assurance that, if, and when, the Company seeks additional equity or debt financing, the Company will be able to obtain the additional financial resources required on satisfactory commercial terms or at all. If additional financing is raised by the issuance of equity securities from the treasury of the Company, existing shareholders will suffer dilution and a change of control of the Company may occur.

Competition and Industry Consolidation

The telematics industry is a hyper competitive marketplace. Numerous factors affect BSM's competitive position, including, amongst other things, pricing of products and services. A number of BSM's existing competitors have substantially greater financial, marketing and other resources. A number of these competitors have greater name recognition and well established relationships with some of the Company's target customers. Furthermore, these competitors may be able to adopt more aggressive pricing policies and offer more attractive terms to customers than BSM is able to offer. As a result, BSM may face increasing price pressure from its competitors and customers.

Current and potential competitors have established, or may establish, cooperative relationships amongst themselves or with third parties to compete more effectively. In addition, existing and potential competitors may also develop enhancements to, or future generations of, competitive products and services that will have better performance features than the Company's

product and services offerings. Increased competition could result in reduced operating margins, increased sales and marketing expenses and the loss of market share, any of which would likely cause serious harm to the Company's operating results.

Some of the Company's competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships to offer more comprehensive services than they individually had offered or achieve greater economies of scale. For example, within the past couple years, Verizon Wireless purchased Telogis Inc. and Fleetmatics Group PLC. In addition, new entrants not currently considered to be BSM's competitors may enter the Company's industry through acquisitions, partnerships or strategic relationships. BSM expects these trends to continue as companies attempt to strengthen or maintain their market positions. Many of the potential entrants, particularly those providing enterprise-level solutions and those who historically focused on the long-haul industry, may have competitive advantages over BSM, such as greater name recognition, longer operating histories, more varied services, larger marketing budgets, as well as greater financial, technical and other resources. These pressures could result in a substantial loss of the Company's customers or a reduction in the Company's revenue.

Intellectual Property

The trade secrets and copyrights held by BSM with respect to its products and services are important to BSM's success. Consequently, BSM protects its intellectual property through a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect the Company's proprietary information. Despite the Company's best efforts, there can be no assurance that the steps taken will prevent misappropriation of BSM's proprietary rights. Filing patent applications may not result in enforceable patent rights in all jurisdictions that the Company does, or may, operate in. Moreover, any issued patents or third-party patents to which the Company has licensed rights, may be of a restricted scope that does not cover possible foundational technologies and/or technologies practiced by others. Competitors could also independently develop technology similar to the Company's technology.

Unauthorized parties may attempt to copy aspects of BSM's products or to obtain information BSM regard as proprietary. Monitoring unauthorized use of proprietary technology is difficult, time-consuming and costly. If a third-party misappropriates the Company's intellectual property, BSM may be unable to enforce its rights. Subsequently, if BSM is unable to protect its intellectual property against unauthorized use by others, it could have an adverse effect on BSM's competitive position.

Further, the telematics and fleet management industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and frequent litigation based on allegations of infringement or other violations of intellectual property rights. Much of this litigation involves patent holding companies or other adverse patent owners who have no relevant product revenues of their own, and against whom the Company's own patent portfolio may provide little or no deterrence. BSM is unable to predict whether it will prevail in any current or future intellectual property infringement or other litigation given the complex technical issues and uncertainties inherent in such litigation. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays or require the Company to enter into royalty or licensing agreements. In addition, the Company could be required to indemnify its customers or resellers against third party claims of intellectual property infringement based on the Company's solutions. If the Company's solutions violate any third-party intellectual property rights, the Company could be required to withdraw those solutions from the market, re-develop those solutions or seek to obtain licenses

from third parties which may not be available on reasonable terms or at all. Any efforts to re-develop the Company's solutions, obtain licenses from third parties on favourable terms or license a substitute technology may not be successful and, in any case, may substantially increase the Company's costs and harm the Company's business, financial condition and operating results. Withdrawal of any of the Company's solutions from the market could harm the Company's business, financial condition and operating results.

BSM also incorporates open source software into the Company's platforms. Given the nature of open source software, third parties may assert copyright and other intellectual property infringement claims against the Company based on the Company's use of certain open source software programs.

Government and Enterprise Vertical Demands

BSM services large commercial fleet enterprise customers, including various levels of government across North America. As a part of this process, the awarding of contracts with these customers are often subject to requests for proposals or other similar bidding processes. As a result, the sales process is lengthy, time consuming and subject to frequent renegotiations and uncertainty. From year-to-year, these contracts often expire and such customers often are required to submit the contract to an additional bidding process. There is no guarantee that BSM will, in the case of new customers, win the request for proposal or other similar bidding process or, in the case of existing customers, win a renewal or contract that is resubmitted for bidding. As a result, the number of customers may fluctuate from year to year. In additional government customers often require the Company to agree to customized terms and conditions that are unfavourable to BSM and may not include typical limitation of liability provisions or limited indemnity provisions.

Maintaining Effective Internal Financial Controls

The Company complies with Canadian securities laws by assessing and testing its system of internal controls. Even though the Company has concluded the Company's internal controls over financial reporting were effective as of the end of the period covered by this AIF, the Company needs to continue to maintain its processes and systems and adapt them to changes as the Company's business evolves. This continuous process of maintaining and adapting the Company's internal controls and complying with Canadian securities laws is expensive and time-consuming and requires significant management attention. The Company cannot be certain that its internal control measures will continue to provide adequate control over the Company's financial processes and reporting and ensure compliance with Canadian securities laws. Furthermore, as the Company's business changes and if the Company continues to expand through acquisitions of other entities, the Company's internal controls may become more complex and the Company will require significantly more resources to ensure the Company's internal controls remain effective. Failure to implement required new or improved controls, or to address difficulties encountered in their implementation, could harm the Company's operating results or cause the Company to fail to meet its reporting obligations. If the Company or its independent registered public accounting firm identify material weaknesses, the disclosure of that fact, even if quickly remediated, could reduce the market's confidence in the Company's financial statements and adversely impact the price of the BSM Shares.

Litigation

BSM is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business, including, but not limited to, intellectual property

disputes. BSM cannot reasonably predict the likelihood or outcome of these actions. Adverse outcomes in some, or all of these, claims may result in significant monetary damages or injunctive relief that could adversely affect BSM's ability to conduct its business. Further, if BSM is unable to resolve these disputes favourably, it may have a material adverse impact on its financial performance, cash flow and results of operations.

Tax Risks

The Company's tax position could be adversely impacted by changes in tax rates, tax laws, tax treaties or tax regulations or changes in the interpretation of such laws, treaties or regulations by the tax authorities in Canada, the United States and other jurisdictions. In the normal course of its business, the Company is subject to examination by various taxing authorities. The Company's effective tax rate may vary from the Company's expectation and that variance may be material. Failure to manage the risks associated with such changes, or misinterpretation of the laws relating to taxation, could result in increased charges, financial loss, including penalties, and reputational damage and materially and adversely affect the Company's results, financial condition and prospects.

A successful assertion by one or more jurisdictions that the Company should collect sales or other taxes on the sale of the Company's solutions could result in substantial tax liabilities for past sales and decrease the Company's ability to compete for future sales. Each country and each state has different rules and regulations governing sales and use taxes and these rules and regulations are subject to varying interpretations that may change over time. The Company is unable to predict whether it will not be subject to sales and use taxes or related penalties for past sales in jurisdictions where the Company presently believe sales and use taxes are not due.

Providers of goods or services are typically held responsible by taxing authorities for the collection and payment of any applicable sales and similar taxes. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to the Company's solutions, the Company may be liable for past taxes in addition to being required to collect sales or similar taxes in respect of the Company's solutions going forward. Liability for past taxes may also include substantial interest and penalty charges. Many, but not all, of the Company's customer contracts provide that the Company's clients must pay all applicable sales and similar taxes. Nevertheless, customers may be reluctant to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes or the Company may determine that it would not be feasible to seek reimbursement. If the Company is required to collect and pay back taxes and the associated interest and penalties thereon and if the Company's clients do not reimburse the Company for all or a portion of these amounts, the Company will have incurred unplanned expenses that may be substantial. Moreover, the imposition of such taxes on the Company's solutions going forward will effectively increase the cost of such solutions to the Company's customers.

Subsidiaries

BSM is a holding company that conducts operations through Canadian and foreign subsidiaries, and a significant portion of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict BSM's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on BSM's valuation and stock price.

General Economic Conditions

BSM's results could be adversely affected by changing economic conditions in the countries in which it operates. The market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, cuts in government spending, increased market volatility and widespread reduction of business activity generally. To the extent that the Company experiences further global economic deterioration in these markets, the resulting economic pressure on BSM's customers may cause them to end their relationship with the Company, reduce or postpone current or expected purchase orders for BSM products, or suffer from business failure, resulting in a decline in BSM's revenues and profitability that could be material. Continued difficult or uncertain economic conditions could adversely affect the Company's revenue and profitability.

Insurance and Uninsured Risks

Although BSM maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with the Company's operations. BSM may also be unable to maintain insurance to cover these risks at economically feasible premiums or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. BSM may also become subject to liability for pollution or other hazards which may not be insured against or which BSM may elect not to insure against because of premium costs or other reasons.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. The Company is exposed to fluctuations in interest rates on the outstanding principle balance of its revolving credit facilities as well as on short-term cash deposits.

Service Level Commitments

Some of the Company's customer agreements currently, and may in the future, provide minimum service level commitments regarding items such as uptime, functionality or performance. If the Company is unable to meet the stated service level commitments for these customers or suffers extended periods of service unavailability, the Company may be contractually obligated to provide these customers with credits for future subscriptions, provide services at no cost, or pay other penalties which could adversely impact the Company's revenue. The Company does not currently have any reserves on its balance sheet for these commitments.

Accounting Estimates and Assumptions

The Company's financial statements are presented in Canadian dollars, its reporting currency and are prepared in accordance with IFRS. The preparation of these financial statements requires BSM to make estimates and judgments about, among other things, the recoverable amount of goodwill and intangible assets, the valuation of acquired intangibles in connection with acquisitions, the valuation of contingent consideration classified as a liability, the recognition and valuation of deferred tax assets, the classification of revenues and expenses, and the valuation of provisions including the provision for warranty. These estimates and judgments affect the reported amounts of the Company's assets, liabilities, revenues and expenses and the related disclosures thereon. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances and at the time they are made. If the Company's estimates or the assumptions underlying them

are not correct, actual results may differ materially from the Company's estimates and the Company may need to, among other things, accrue additional charges that could adversely affect the Company's results of operations, which in turn could adversely affect the price of the BSM Shares. In addition, new accounting pronouncements and interpretations of accounting pronouncements have occurred and may occur in the future that could adversely affect the Company's reported financial results.

Stock Price Volatility

The securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in market price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in market prices will not occur. It may be anticipated that any quoted market for the BSM Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility. The price of the BSM Shares may also experience significant fluctuations due to operating performance, performance relative to analyst's estimates, dispositions or acquisitions by a large shareholder, litigation against the Company, the loss or acquisition of a significant customer or distributor, industry-wide factors and factors other than the operating performance of the Company. These factors, among others, may cause decreases in the value of the BSM Shares.

As a result of any of these factors, the market price of the BSM Shares at any given point in time may not accurately reflect BSM's long-term value. Securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. BSM may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Credit Concentration and Credit Risk

BSM provides credit to its customers in the normal course of operations through installment and/or finance sales of its hardware devices. Many of these credit obligations are unsecured. As such, credit risk arises from the potential that a customer or counterparty will fail to meet its contractual obligations. The Company is exposed to credit risk from its customers on its trade receivables, finance lease payments receivable and unbilled revenue. Accounts receivable include amounts due from customers in both the government and private industry sectors, which exposes the Company to risk of non-payment. Government accounts are considered to have a low credit risk and are normally not subjected to extensive credit reviews. Private company accounts are subjected to internal credit reviews to minimize risk of non-payment. The Company evaluates the collectability of accounts receivable on an ongoing basis and records a provision for such losses based on the estimated realizable value. Although the Company attempts to manage its credit risk exposure, there is no assurance that this provision will be adequate.

Warranty Claims and Product Liability

BSM provides its customers with a limited warranty on its products. Despite quality control procedures, there is no assurance that the Company's provision for this warranty is adequate. If there is a malfunction or error that affects a significant number of the Company's products, the cost to repair, replace or recall these products or component parts could materially adversely affect the operations and financial position of the Company.

BSM may be subject to claims arising from the use of its products and services. BSM products are highly-complex and sophisticated and, from time to time, may contain material defects and errors that are difficult to detect and correct. There can be no assurance that errors will not be found in BSM products or, if discovered, that the Company will be able to successfully correct such errors in a timely manner or at all. Correcting such errors and failures could require significant expenditure of capital. BSM products and services are generally critical to the Company's customers' businesses. The sale and support of these products and services may entail the risk of substantial product liability or warranty claims in the event of errors or failures. A product liability claim could adversely impact the Company's business due to the cost of settlements and due to the costs of defending such claims. Although the Company carries product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

Dependence on Key Personnel

Due to the technical nature of the Company's business and the dynamic market in which the Company operates, the Company's success depends on its ability to attract and retain highly skilled personnel. The success of BSM's operations is also dependent on its highly skilled and experienced workforce. There is increased competition over highly skilled experienced workers (in addition to increased labour costs). Although BSM places a high priority on hiring and retaining key talent, the loss of these persons or BSM's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. In addition, new hires require significant training and, in most cases, require substantial amounts of time before they achieve full productivity. The Company's recent hires and planned hires may not become as productive as the Company expects, and the Company may be unable to hire or retain sufficient numbers of qualified individuals. If the Company fails to attract and train new personnel, or fails to retain, focus and motivate the Company's current personnel, the Company's business and growth prospects could be severely harmed.

Operations

BSM's operations are dependent upon its ability to protect its services online portal systems, network infrastructure and customer equipment against damage from human error, telecommunications failures, fire, earthquakes, floods, power loss, sabotage, downtime, cyber-crime, intentional acts of vandalism and similar events. Despite precautions taken by, and planned to be taken by the Company, the occurrence of a natural disaster or other unanticipated problem at one or more of the Company's network facilities could result in interruptions to the services provided by the Company. Such an event could significantly impact the ability of suppliers to provide the data communications capacity required by the Company and, in turn, could impact the Company's sales and customer relations. The Company could be adversely affected by a reduction in customer satisfaction, loss of business and customer claims.

Acquisition Strategy

As part of BSM's business strategy, the Company has sought and will continue to seek new assets, businesses, products or technologies relating to, or complementary to, the Company's current operations. In pursuit of such opportunities, BSM may fail to select appropriate acquisition targets or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into BSM. Ultimately, any acquisitions would be accompanied by risks. For example, BSM may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and

maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt BSM's ongoing business and its relationships with employees, suppliers, contractors and other stakeholders; the acquired business or assets may have unknown liabilities which may be significant; diversion of management's time and attention during the transaction and subsequent integration; there may be delays as a result of regulatory approvals; and BSM may be exposed to litigation (including actions commenced by shareholders) in connection with the transaction.

In the event that BSM chooses to raise debt capital to finance any such acquisition, BSM's leverage will be increased. If BSM chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, BSM may choose to finance any such acquisition with its existing resources.

As a part of BSM's acquisition strategy, the Company also uses a strategy where a portion of the purchase price is paid at closing, while the remaining portion of the purchase price is subject to the target successfully completing performance metrics within an earn-out period after the closing of the acquisition. These potential earn-out payments are contingent payments and while the Company believes it will have the required funds to satisfy these contingent payments, if earned, there can be no assurance that the Company will have the required funds at the applicable point in time. If BSM is unable to satisfy these contingent payments, it may have a material adverse impact on the Company and the Company may be exposed to litigation.

BSM cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit BSM's business. Furthermore, there can be no assurance that BSM would be successful in overcoming the risks identified above or any other problems encountered in connection with such acquisitions.

Inventory Management

The Company's hardware devices are comprised of component parts with long lead times. The Company typically purchases component parts and out-sources manufacturing in advance of receiving confirmed purchase orders. As a result, the Company may have significant inventory volumes that could be subject to write down from obsolescence.

The Company has significant amounts of inventory on hand, some of which the Company has previously written down to the value, which the Company estimates to be the inventory's fair market value. Given the large quantity of this inventory, there is no guarantee that the Company will be successful in selling all of it, or realizing the full value of its current carrying cost. This may result in further write-offs and charges to the Company's net income.

Increased Pressures on Personnel

The Company decreased its total number of full-time employees from 251 as at September 30, 2017, to 243 full-time employees as at September 30, 2018. Given the decrease in full-time employees, the Company's growth strategy has placed, and may continue to place, a significant strain on BSM's managerial, administrative, operational, financial and other personnel. The Company intends to continue to further expand its overall business, customer base, and operations. Operating a North America organization and managing a geographically dispersed workforce will require substantial management effort and additional investment in the Company's infrastructure. The Company will be required to continue to improve its operational, financial and management controls and its reporting procedures and the Company may not be able to do so

effectively. As such, the Company may be unable to manage its expenses effectively in the future, which may negatively impact its gross profit or operating expenses in any particular quarter.

Government Regulations

BSM operates in a global marketplace, with sales in numerous countries. BSM may be required to incur additional costs in order to comply with federal, state or foreign governments as they may pertain to certain issues concerning compliance with local regulations governing its devices, content, privacy, taxation and other considerations. As IOT commerce continues to evolve, increased regulation by federal, state or foreign agencies becomes more likely. BSM is particularly sensitive to these risks because the Internet is a critical component of the Company's business model. In addition, regulatory requirements may change or BSM may not be able to obtain regulatory approvals from countries in which the Company may desire to sell products and services in the future.

Conflicts of Interest

Certain of the directors and officers of BSM also serve, or may serve in the future, as directors and/or officers of other companies involved in technology based companies; consequently, there exists the possibility for these directors and officers to be in a position of conflict. Any decision made by any of these directors and officers involving BSM will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of BSM and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which these directors may have a conflict of interest in accordance with the procedures set forth in the OBCA and other applicable laws.

Reputational Risk

Damage to BSM's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Reputation loss may result in decreased customer confidence and an impediment to BSM's overall ability to advance its product and services with customers, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

2nd Generation Mobile Telecommunications (2G) and Code Division Multiple Access (CDMA) Network Shutdowns

Telecommunication carriers, generally, are continuing to shut down, and, in some cases, have shutdown, their 2G and CDMA networks in North America (the "**Network Shutdowns**"). The Company has implemented a 2G and CDMA product replacement sales strategy to replace the expiring products (the "**Replacement Program**"); however, approximately, 3 to 5% of the Company's customers have not subscribed to the Replacement Program to date. If these customers do not repurchase BSM products pursuant to the pricing and terms of the Replacement Program, or at all, BSM's profitability may be adversely affected.

5 DIVIDENDS

5.1 Dividends

No dividends were paid to BSM shareholders in the three most recently completed fiscal years. There are no significant restrictions on BSM's ability to pay dividends, other than the requirement to seek approval from BSM's lender pursuant to the terms of the TD Credit Facility. The decision to declare, adjust or eliminate a dividend is subject to the Board's discretion. In deciding whether to declare, adjust or eliminate a dividend, the Board takes into account, among other criteria, BSM's financial condition, results of operations, capital requirements and such other factors as the Board deems relevant from time to time.

The Company does not currently intend to pay dividend in the foreseeable future. BSM intends to retain all available funds and any future earnings to support the operation of, and finance the growth and development of, the Company's business. Any future determination to declare cash dividends will be made at the discretion of the Board, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit the Company's ability to pay dividends. Such determination will also depend on the Company's financial condition, operating results, capital requirements, general business conditions and other factors that the Board may deem relevant from time to time.

6 DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

The authorized share capital of the Company consists of: (i) an unlimited number of BSM Shares; (ii) an unlimited number of first preferred shares issuable in series (the "**First Preferred Shares**"); and (iii) unlimited number of second preferred shares issuable in series (the "**Second Preferred Shares**"), all without nominal or par value.

BSM Shares

The BSM Shares carry and are subject to the following rights, privileges, restrictions and conditions described below:

Voting: Each BSM Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of BSM, other than meetings at which only the holders of a particular class or series of shares are entitled to vote, and each such BSM Share entitles its holder to one vote.

Dividends: The holders of BSM Shares are, at the discretion of the Board, entitled to receive dividends. If the Board declares and pays dividends, it must do so in equal amounts per share on all BSM Shares, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of BSM ranking in priority to the BSM Shares in respect of dividends.

Dissolution: The holders of BSM Shares are entitled to participate in any distribution of rights of BSM's net assets if it liquidates, dissolves or winds up, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of BSM ranking in priority to the BSM Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any class of shares of BSM ranking equally with the BSM Shares in respect of return on capital, in such assets of BSM as are available for distribution.

As at September 30, 2018, there were 80,983,793 BSM Shares outstanding, including, in the aggregate, 1,199,575 BSM Shares remaining in escrow pursuant to the following agreements: (i) 699,575 BSM Shares pursuant to an escrow agreement dated May 14, 2014, the release of

which are subject to the attainment of specified financial targets in the five years following the JMM Acquisition (defined below); and (ii) 500,000 BSM Shares pursuant to an escrow agreement dated August 8, 2014, the release of which are subject to specified revenue growth targets in the three years following the Praxis Acquisition (as defined herein). See “*Escrowed Securities*” for further details.

As at September 30, 2018, there were: (i) 2,005,000 options to purchase BSM Shares (“**BSM Options**”) held by directors, consultants and employees of BSM, having a weighted average exercise price of \$1.53; (ii) 177,070 BSM Replacement Options to purchase BSM Shares held by former employees of Webtech, having a weighted average exercise price of \$0.58; (iii) 1,606,997 restricted share units of the Company (“**RSUs**”) held by consultants and employees of BSM; and (iv) 610,346 deferred share units of the Company (“**DSUs**”) held by directors of BSM.

Preferred Shares

The Board may issue First Preferred Shares or Second Preferred Shares, (together, “**Preferred Shares**”) at any time and in one or more series. Before any Preferred Shares of a particular series are issued, the Board shall, by resolution, fix the number of shares that will form such series and shall, subject to certain limitations, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares and the Second Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends, the time and place of payment of dividends, the consideration for and the terms and conditions (if any) of any purchase for cancellation, retraction or redemption of, conversion or exchange rights, and whether into or for securities of BSM or otherwise, the voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares in the capital of BSM or creation or issue of debt or equity securities.

The Board may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of First Preferred Shares or Second Preferred Shares.

The First Preferred Shares of each series shall rank on parity with the First Preferred Shares of every other series with respect to accumulated dividends and return of capital. The First Preferred Shares shall be entitled to a preference over the Second Preferred Shares, the BSM Shares and over any other shares of BSM ranking junior to the First Preferred Shares with respect to priority in the payment of dividends and in any distribution of assets in the event of the liquidation, dissolution or wind-up of BSM among its shareholders for the purpose of winding-up its affairs.

Second Preferred Shares shall be entitled to a preference over the BSM Shares and over any other shares of BSM ranking junior to the Second Preferred Shares with respect to priority in the payment of dividends and in any distribution of assets in the event of the liquidation, dissolution or wind-up of BSM among its shareholders for the purpose of winding-up its affairs.

BSM cannot amend the First Preferred Shares’ and the Second Preferred Shares’ special rights and restrictions as a class without obtaining any approval required by law, and the approval of at least two-thirds of the vote cast at a meeting of holders of Preferred Shares called and held for the purpose, with at least 21 days’ notice provided and at which a quorum is present comprising of at least two persons present holding or representing by proxy at least 20% of the outstanding First Preferred Shares or Second Preferred Shares (as applicable).

As at September 30, 2018, there were no First Preferred Shares or Second Preferred Shares outstanding.

6.1.1 Share consolidations

On March 4, 2006, the Company filed Articles of Amendment to consolidate the BSM Shares on a 100:1 basis, being one post-consolidation BSM Share for each one-hundred pre-consolidation BSM Shares then outstanding; provided, however, that there was no rounding up of shares on consolidation. On March 6, 2006, the Company filed Articles of Amendment to subdivide the BSM Shares on a 1:100 basis, being one-hundred post-consolidation BSM Shares for each one pre-consolidation BSM Share outstanding.

On March 19, 2012, BSM, by a special resolution, approved the 2012 Share Consolidation. On August 24, 2012, the TSX Venture Exchange approved the 2012 Share Consolidation and, on August 31, 2012, BSM started trading shares on a consolidated basis. BSM amended its disclosure in the consolidated financial statements to reflect the share consolidation as if it had occurred on October 1, 2010.

6.1.2 Share repurchase program

Pursuant to the 2018 NCIB, as of December 1, 2018, BSM repurchased 2,166,699 BSM Shares for \$2,700,839, excluding brokerage fees. All repurchased BSM Shares were returned to treasury and cancelled.

Pursuant to the 2017 NCIB, BSM repurchased 892,397 BSM Shares for \$1,218,743, excluding brokerage fees. All repurchased BSM Shares were returned to treasury and cancelled.

Pursuant to the 2016 NCIB, BSM repurchased 7,523,500 BSM Shares for \$7,333,908, excluding brokerage fees. All repurchased BSM Shares were returned to treasury and cancelled.

7 MARKET FOR SECURITIES

7.1 Trading Price and Volume of BSM Shares

The BSM Shares are currently listed and posted for trading on the TSX under the symbol “GPS”. The following table sets forth the intraday high and low sale prices per BSM Share and the composite volume of trading of the BSM Shares as reported by the TSX for the periods listed below.

Date	High (\$)	Low (\$)	Volume
October 2017	1.43	1.21	2,861,651
November 2017	1.29	1.18	4,626,109
December 2017	1.45	1.22	1,860,924
January 2018	1.41	1.27	2,811,880
February 2018	1.37	1.21	1,908,457
March 2018	1.32	1.28	3,497,677
April 2018	1.32	1.27	1,269,004
May 2018	1.31	1.25	963,664
June 2018	1.39	1.23	1,452,241
July 2018	1.36	1.26	411,916

Date	High (\$)	Low (\$)	Volume
August 2018	1.36	1.18	1,444,218
September 2018	1.25	1.04	1,513,450

The closing price of the BSM Shares on the TSX on December 19, 2018, was \$0.70.

7.2 Prior Sales

Except for: (i) the issuance of BSM Shares pursuant to the exercise of BSM Replacement Options and BSM Options; (ii) the issuance of BSM Shares pursuant to the redemption of RSUs; and (iii) the granting of BSM Options, RSUs and DSUs, there were no issuances of BSM Shares during the fiscal year ended September 30, 2018.

BSM Shares

The following table summarizes the number of BSM Shares issued during the fiscal year ended September 30, 2018:

Date of issuance	Price per BSM Share	Number of BSM Shares	Reasons for issuance
10/24/2017	\$1.26	137,940	Settlement of vested RSUs
10/24/2017	\$0.58	1,281	Exercise of previously issued BSM Replacement Options
12/18/2017	\$1.29	184,819	Settlement of vested RSUs
12/18/2017	\$0.58	53,400	Exercise of previously issued BSM Replacement Options
12/18/2017	\$0.42	42,720	Exercise of previously issued BSM Replacement Options
12/18/2017	\$0.44	106,800	Exercise of previously issued BSM Replacement Options
01/02/2018	\$1.40	16,548	Exercise of previously issued BSM Options
02/15/2018	\$0.64	106,800	Exercise of previously issued BSM Replacement Options
03/13/2018	\$1.30	295,587	Settlement of vested RSUs
05/15/2018	\$1.25	10,000	Settlement of vested RSUs
05/23/2018	\$1.25	10,000	Settlement of vested RSUs
08/27/2018	\$0.42	57,408	Exercise of previously issued BSM Replacement Options
08/31/2018	\$1.21	198,179	Settlement of vested RSUs

BSM Options

The following table summarizes the number of BSM Options granted by BSM during the fiscal year ended September 30, 2018:

Date of issuance	Number of BSM Shares Underlying BSM Options
02/23/2018	400,000
08/29/2018	750,000

RSUs

The following table summarizes the number of RSUs granted by BSM during the fiscal year ended September 30, 2018:

<u>Date of issuance</u>	<u>Number of BSM Shares Underlying RSUs</u>
12/15/2017	613,925
02/12/2018	15,000

DSUs

The following table summarizes details of the DSUs granted by BSM during the fiscal year ended September 30, 2018:

<u>Date of issuance</u>	<u>Number of BSM Shares Underlying DSUs</u>
12/15/2017	46,485
02/12/2018	49,553
05/15/2018	52,284
08/17/2018	52,284

8 ESCROWED SECURITIES

On April 30, 2014, BSM, through its wholly-owned subsidiaries, acquired 100% of the membership interests of privately-held JMM Global (the “**JMM Acquisition**”). On May 14, 2014, as part of the consideration for the JMM Acquisition, 699,575 BSM Shares were deposited into escrow with the escrow agent, Computershare Investor Services Inc., and will be released subject to specified financial targets being achieved in the five-year period following the JMM Acquisition. As of the fiscal year ended September 30, 2018, 699,575 BSM Shares remain in escrow subject to achievement of these performance conditions.

On August 8, 2014, BSM announced that it had acquired all of the issued and outstanding shares Praxis Transportation Solutions Inc. (“**Praxis**”), a privately-held Alberta corporation (the “**Praxis Acquisition**”). Subsequently, on October 1, 2014, BSM’s wholly-owned subsidiary, BSM Wireless Inc., amalgamated with Praxis to form one corporate entity with the name “BSM Wireless Inc.”. As part of the consideration for the Praxis Acquisition, 500,000 BSM Shares were deposited into escrow with Computershare Trust Company of Canada, as escrow agent, and will be released subject to satisfying certain specified release conditions tied to revenue growth targets during the six year period following the closing of the Praxis Acquisition. As of the fiscal year ended September 30, 2018, 500,000 BSM Shares remain in escrow subject to these performance conditions.

The following chart summarizes the BSM Shares which remain in escrow as of the fiscal year ended September 30, 2018:

<u>Designation of Class</u>	<u>Number of securities held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of Class⁽¹⁾</u>
BSM Shares	1,199,575	1.48%

Notes:

(1) Percentage of total BSM Shares is based on 80,983,793 BSM Shares issued and outstanding as of September 30, 2018.

9 DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holdings

The following table sets forth the directors and executive officers of the Company, together with their province or state and country of residence, positions and offices held with the Company, period of service as a director (if applicable), and principal occupation(s) during the last five year. Each of the directors of the Company will hold office until the close of the next annual meeting of shareholders or until the director's successor is elected or appointed.

Name and place of residence	Position(s) with the Company	Date of Appointment as Director	Principal occupation(s) during the last five years⁽¹⁾
Andrew Gutman ⁽²⁾⁽³⁾ Utah, United States	Non-executive Chair of the Board	September 30, 2015	Consultant to the technology industry; formerly, CEO of Webtech
Frank Maw ⁽⁴⁾⁽²⁾⁽³⁾ Ontario, Canada	Director	June 10, 2008	Consultant to the information technology industry
Leonard Metcalfe ⁽²⁾ British Columbia, Canada	Director	September 30, 2015	Retired; formerly, Chairman of LMI Technologies Inc.
David D. Sgro ⁽⁵⁾⁽³⁾ New Jersey, United States	Director	June 28, 2016	Senior Managing Director of Crescendo, L.P.
Gregory Monahan ⁽²⁾ Connecticut, United States	Director	June 28, 2016	Senior Managing Director of Crescendo, L.P.
Kelly Edmison ⁽²⁾ British Columbia, Canada	Director	June 28, 2016	Chairman of Penderfund Capital Management Ltd.
Louis De Jong Ontario, Canada	Director, President and Chief Executive Officer	August 27, 2018	Chief Financial Officer of the Company and Managing Partner at De Jong & Co.
Stephen De Bolster Ontario, Canada	Interim Chief Financial Officer ("CFO")	-	Vice-President, Finance of the Company
Douglas Swanson Ontario, Canada	Chief Technology Officer ("CTO")	-	CTO of the Company since April 3, 2017; formerly, VP of Engineering at Intelligent Mechatronic Systems Inc.
Matthew Donnelly Ontario, Canada	Corporate Secretary and General Counsel	-	Corporate Secretary and General Counsel of the Company since December 13, 2017; formerly, Director – Legal Counsel of the Company

Notes:

- (1) The information as to principal occupations has been furnished by each director and/or officer individually.
- (2) Member of the Compensation, Governance and Nominating Committee (the "CGN Committee").
- (3) Member of the Audit Committee.
- (4) Chair of the CGN Committee.
- (5) Chair of the Audit Committee.

To BSM's knowledge, as of the date of this AIF, the directors and executive officers of BSM, as a group, beneficially own, directly or indirectly, or exercise control or direction over 1,545,867 BSM Shares, representing approximately 1.91% of the issued and outstanding BSM Shares (on a non-diluted basis).

To BSM's knowledge, as of the date of this AIF, Messrs. Sgro and Monahan are senior managing directors of the Crescendo Advisors which, through the Crescendo Funds, own an aggregate of 7,916,697 BSM Shares, representing approximately 9.79% of the issued and outstanding BSM Shares (on a non-diluted basis). Notwithstanding Messrs. Sgro and Monahan positions with the Crescendo Advisors, Messrs. Sgro and Monahan do not have control or direction, whether direct or indirect, over the securities of the Crescendo Funds.

Mr. Edmison is the Chairman of Pender. To BSM's knowledge, as of the date of this AIF, Pender manages various mutual funds and pools which, collectively, beneficially own or control, directly or indirectly, an aggregate of 8,410,892 BSM Shares, representing approximately 10.40% of the issued and outstanding BSM Shares (on a non-diluted basis). Notwithstanding Mr. Edmison's position with Pender, Mr. Edmison does not have control or direction, whether direct or indirect, over the securities of Pender.

9.2 Biographies of Directors and Executive Officers

Andrew Gutman, Non-Executive Chairman of the Board

Mr. Gutman joined BSM as a director in September 2015, and is a member of the CGN Committee and the Audit Committee. Mr. Gutman has more than ten years of experience in private equity/venture capital, as well as 15 years of experience in managing and/or advising profitable, growth and acquisition oriented software companies. Mr. Gutman is a member of the Board of Directors of Cortex Business Solutions Inc. (TSXV:CBX), a supplier of e-business products and services. In addition to his prior role as the Chief Executive Officer of Webtech, Mr. Gutman was the Chief Executive Officer of Speedware Corporation from 2001 to 2005 where he led the growth of the company from approximately \$15 million in revenues to \$62 million (\$16 million EBITDA) through a combination of acquisitions and successful execution of internal growth strategies. During this period, Speedware Corporation's market capitalization increased from about \$5 million in 2001 to \$143 million in 2005 when it was sold to Activant Solutions Inc. Mr. Gutman is currently a consultant to several technology companies.

Frank Maw, Director

Mr. Maw joined BSM as a director in June 2008, and is the Chair of the CGN Committee and a member of the Audit Committee. Mr. Maw is a past President of Motorola Canada Limited having retired after 35 years of senior management experience in the information and communications technology and the consumer products industries. Mr. Maw is a graduate of the University of Western Ontario and has served as the Chairman of ITAC (Information and Telecommunications Technology Association of Canada), as a director on the Toronto Board of Trade, as the Chairman of the Canadian Wireless Telecommunications Association and President of the original Paging Services Council of Canada. Mr. Maw was the Chairman of Netistix Technologies Corporation which was acquired by BSM in December 2007.

Leonard Metcalfe, Director

Mr. Metcalfe joined BSM as a director in September 2015, and is a member of the CGN Committee. Mr. Metcalfe is the former Chairman, Chief Executive Officer and director of LMI Technologies Inc. and was with LMI Technologies Inc. from 1997 to 2011, when it was acquired by AUGUSTA Technologie AG. LMI Technologies Inc. supplied machine vision systems for various manufacturing industries from its offices in Canada, USA, Sweden, Ireland and The Netherlands. Mr. Metcalfe is a member of the International Society of Optical Engineers. Mr.

Metcalfe received a Diploma of Technology in Control Electronics from the British Columbia Institute of Technology in Vancouver, in 1973.

David D. Sgro, Director

Mr. Sgro joined the Company as a director in June 2016 and is the Chair of the Audit Committee. Mr. Sgro is a Senior Managing Director of Crescendo Partners, L.P., a New York-based investment firm, and has held various positions at Crescendo Partners since May 2005. He is also a Managing Member and Head of Research for Jamarant Capital L.P., a private investment fund. Mr. Sgro is the current Chairman of the Board of Directors of Hill International, Inc (NYSE:HIL), a construction project management and claims consulting company, the Chairman of the Board of Directors and Chief Operating Officer of Allegro Merger Corp. (NASDAQ:ALGRU), a Special Purpose Acquisition Company, a member of the Board of Directors for Pangaea Logistics Solutions, Ltd. (NASDAQ:PANL), a provider of seaborne dry bulk transportation services to industrial customers, and a director, and member of the audit committee of NextDecade Corporation (NASDAQ:NEXT), which develops land-based and floating LNG projects. Previously, Mr. Sgro served on the Board of Directors of Imvescor Restaurant Group, Inc.; a restaurant franchisor, Com Dev International Ltd., a supplier of space equipment and services; SAExploration Holdings, Inc., a provider of seismic data services to the oil and gas industries; Bridgewater Systems Corporation, a telecommunications software provider; and Harmony Merger Corp., Quartet Merger Corp., and Trio Merger Corp., special purpose acquisition companies. Mr. Sgro is a Chartered Financial Analyst (CFA) Charterholder and holds a B.S. in Finance from The College of New Jersey and an M.B.A. from Columbia Business School.

Gregory Monahan, Director

Mr. Monahan joined BSM as a director in June 2016, and is a member of the CGN Committee. Mr. Monahan has been a Senior Managing Director of Crescendo Partners, L.P., a New York-based investment firm, since December 2014 and has held various positions at Crescendo Partners since May 2005. He is also a Managing Member and Portfolio Manager for Jamarant Capital L.P., a private investment firm. Previously, Mr. Monahan was the co-founder of Bind Network Solutions, a consulting firm focused on network infrastructure and security. Mr. Monahan is currently on the Board of Directors of Absolute Software Corp., a leader in firmware-embedded endpoint security and management for computers and ultra-portable devices. He also serves on the Board of Directors of Cott Corporation, a leading provider in the direct-to-consumer beverage services. He previously served on the Board of Directors of COM DEV International Ltd., a supplier of space equipment and services, SAExploration Holdings, Inc., a seismic data services company, ENTREC Corporation, a heavy haul and crane services provider, Bridgewater Systems Corporation, a telecommunications software provider, and O'Charley's Inc., a multi-concept restaurant company. Mr. Monahan earned his Bachelor of Science degree in Mechanical Engineering from Union College and his M.B.A from Columbia Business School.

Kelly Edmison, Director

Mr. Edmison joined BSM as a director in June 2016, and is a member of the CGN Committee. Mr. Edmison has been active in the business community for almost 40 years. Currently, Mr. Edmison is Chairman of Penderfund Capital Management Ltd., which manages a venture fund and a variety of value based mutual funds. Previously, Mr. Edmison was a lawyer for 25 years having spent his early years in Calgary and Hong Kong and then the core of his practicing years focused on the technology industry in Vancouver. In 2002, he founded Pender Financial and PenderFund Capital which he led until recently. For over 20 years, Mr. Edmison

has been an officer and director of many public and private technology companies. Mr. Edmison is a graduate of the University of Toronto and Queen's University.

Louis De Jong, CPA, CA, Director and President and Chief Executive Officer

Mr. De Jong is the President and Chief Executive Officer of the Company and first joined BSM as its Chief Financial Officer in January 2014. Mr. De Jong has over 20 years of experience in the financial and investment industries. Mr. De Jong's previous roles include Managing Director at Jemekk Capital Management, Head of Canadian Equities at Credit Suisse, and Head of Institutional Sales at Sprott Securities. Mr. De Jong started his career as an accountant with PricewaterhouseCoopers LLP. Most recently Mr. De Jong founded and was the Managing Partner at De Jong & Co., a boutique merchant bank engaged in principal investment and financial advisory services. Mr. De Jong is both a CPA and CA Charterholder and he earned his Economics degree from the University of Western Ontario.

Stephen De Bolster, CPA, CA, Interim Chief Financial Officer

Mr. De Bolster is the Company's Interim Chief Financial Officer and first joined BSM's finance department in 2014 and, most recently, served as its Vice-President, Finance. As Vice-President - Finance, he had responsibility for overseeing the Company's finance department including financial reporting, financial planning and analysis and its general accounting operations. Prior to joining BSM, Mr. De Bolster was an accountant with PricewaterhouseCoopers LLP with a focus in public financial reporting and financial analysis. Mr. De Bolster holds a Bachelor's degree in Management and Organizational Studies from King's University College at the University of Western Ontario and is a Chartered Professional Accountant (CPA, CA).

Douglas Swanson, Chief Technology Officer

Mr. Swanson joined BSM as the Chief Technology Officer in April 2017. Mr. Swanson has more than 30 years of experience in research, software, hardware, architecture and management. In addition, Mr. Swanson's leadership experience ranges from managing large global multi-site and cross-functional teams to working with and expanding nascent technology companies. Most recently, Mr. Swanson was VP of Engineering at Intelligent Mechatronic Systems Inc., where he drove the technical vision and strategy of Intelligent Mechatronic Systems Inc. and was responsible for the research and development of its IoT and machine learning platforms. Mr. Swanson's prior experience has involved extensive oversight of various technologies and includes a role as Director of Engineering for Blackberry Limited (formerly Research In Motion Limited) as well as more than ten years of experience with Cisco Systems working across various North American offices. Mr. Swanson holds a Bachelor of Applied Science, System Design Engineering from the University of Waterloo and is currently a part time Ph.D. student at the University of Waterloo.

Matthew Donnelly, B.A. (Hons.), LL.B., JD, Corporate Secretary and General Counsel

Mr. Donnelly is the Corporate Secretary and General Counsel of the Company, after previously serving the Company's Director – Legal Counsel for a number of years. Mr. Donnelly is a member of the Canadian Bar Association and holds a Bachelor of Arts (Honours) from the King's University College at the University of Western Ontario, a Bachelor of Laws from the University of Windsor and a Juris Doctor from the University of Detroit Mercy, completing a dual degree program.

9.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of BSM, no director or executive officer of BSM is, as at the date of this AIF, or was within ten years before the date of this AIF, a director or chief executive officer or chief financial officer of any company (including BSM) that: (a) was the subject of an order that was issued while the director or proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

To the knowledge of BSM, no director or executive officer of BSM, or a shareholder holding a sufficient number of BSM shares to affect materially the control of BSM: (a) is, or within ten years before the date of this AIF has been a director or executive officer of a corporation (including BSM) that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of BSM, no director or executive officer of BSM has been subject to any: (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investor decision.

9.4 Conflicts of Interest

To the best of BSM’s knowledge there are no known existing or potential conflicts of interest between BSM and any director or officer of BSM, except that certain of the directors and officers serve as directors and officers of other public companies. See “*Description of the Business – Risk Factors – Conflicts of Interest*”.

10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

10.1 Legal Proceedings

Since 2008, Webtech, a wholly-owned subsidiary of BSM, has been involved in litigation in Brazil with a former distributor, Crown Brazil. Prior to that date, Webtech had entered into a distribution agreement with Crown Brazil granting Crown Brazil the right to sell Webtech’s product in Brazil. In addition to the distribution agreement, Webtech also entered into a loan agreement with Crown Brazil, whereby Webtech agreed to loan funds to Crown Brazil. Crown Brazil later defaulted on its loan obligations and, as a result, Webtech initiated a claim against Crown Brazil. Crown Brazil subsequently filed a claim seeking business interference damages of BBR\$109 million (currently, approximately \$43 million). In 2008, Crown Brazil obtained a judgment against

Webtech with damages to be calculated at a later date. Following this 2008 decision, Crown Brazil entered into receivership administered by a Trustee. Webtech then successfully appealed the 2008 decision and the matter was referred back to the lower court in 2010 for retrial. In September 2013, judgment was rendered in favour of the Trustee for Crown Brazil, with damages to be determined at a later date. After this 2013 decision, Webtech filed an appeal with the Court of Justice of the State of Minas Gerais, which, by unanimous decision on or around May 14, 2015, decided in favour of Webtech and overturned the lower court judgment and stated no indemnification or damages were owed by Webtech. On or around June 10, 2015, Crown Brazil filed a motion to clarify with the Court of Justice of the State of Minas Gerais and on or around September 1, 2015, the motion to clarify was denied. Following the denial, on or around September 1, 2015, Crown Brazil filed an appeal to the President Judge of the Court of Appeals of the State of Minas Gerais. On or around November 4, 2015, Webtech filed its response to Crown Brazil's appeal to the President Judge. On or about December 18, 2015, the Chief Justice of the State of Minas Gerais denied Crown Brazil's appeal. Crown Brazil filed an interlocutory appeal to the Superior Court on January 20, 2016 and Webtech filed its response on March 14, 2016. The parties are currently waiting for a response from the Superior Court.

Except for the matter outlined above, during the fiscal year ended September 30, 2018, BSM was not a party to any material legal proceedings. By virtue of the nature of BSM's business, BSM is involved in or may become subject to legal proceedings, claims and litigation arising from time to time in the ordinary course of business. In addition, the Company may receive notification alleging infringement of patent or other intellectual property rights. At this time, there are no legal matters of this type which are believed to be material to BSM's results of operations, liquidity or financial condition.

10.2 Regulatory Actions

Except as outlined above, during the fiscal year ended September 30, 2018, and as of the date of this AIF, there have been no penalties or sanctions imposed against BSM (a) by a court relating to securities legislation or by a securities regulatory authority; or (b) by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision in BSM. BSM has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended September 30, 2018, and as of the date of this AIF.

11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the three-year period ending September 30, 2018, and up to the date of this AIF, to the knowledge of the Company, none of the Company's directors, executive officers, ten percent shareholders or any of their associates or affiliates had a material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Company, except as otherwise disclosed herein.

12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the BSM Shares is Computershare Investor Services Inc., at its offices at 600, 530 – 8th Avenue SW, Calgary, AB T2P 3S8.

13 MATERIAL CONTRACTS

Other than described in this AIF, BSM did not enter into any material contracts during the fiscal year ended September 30, 2018, other than in the ordinary course of business.

14 AUDIT COMMITTEE

14.1 Audit Committee Mandate

BSM's audit committee (the "**Audit Committee**") is responsible for monitoring BSM's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of BSM's external auditors. The Audit Committee is also responsible for reviewing BSM's annual audited consolidated financial statements, unaudited interim consolidated financial statements and management's discussion and analysis of financial results of operations for both annual and interim consolidated financial statements and review of related operations prior to their approval by the full Board.

The Audit Committee charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to the Board. A copy of the charter is attached as Schedule "A" to this AIF.

14.2 Composition of the Audit Committee

The current members of the Audit Committee are Messrs. Sgro (Chair), Maw and Gutman. Each of Messrs. Sgro, Maw and Gutman are independent and financially literate within the meaning of National Instrument 52 – 110 *Audit Committees* ("**NI 52-110**").

<u>Name of Director</u>	<u>Independent⁽¹⁾</u>	<u>Financially Literate⁽²⁾</u>
David D. Sgro (Chair)	Yes	Yes
Frank Maw	Yes	Yes
Andrew Gutman ⁽⁴⁾	Yes	Yes

Notes:

- (1) To be considered independent, a member of the Board must not have any direct or indirect "material relationship" with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The Audit Committee held four meetings during the fiscal year ended September 30, 2018. Each of Messrs. Sgro, Maw and Gutman were present at all four meetings.

14.3 Relevant Education and Experience

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee member:

David D. Sgro

Mr. Sgro is a Chartered Financial Analyst (CFA) Charterholder and holds a Bachelor of Science in Finance from The College of New Jersey and an M.B.A. from Columbia Business School. Mr. Sgro has been a director, and is the chairman of the audit committee, of Pangaea Logistics Solutions Ltd., a provider of seaborne dry bulk transportation services to industrial customers, since October 2014. Mr. Sgro previously served as a director, and chairman of the audit committee, of Com Dev International Ltd., a TSX listed designer and manufacturer of space hardware subsystems, from April 2013 to February 2016, and SAExploration Holdings, Inc., a provider of seismic data services to the oil and gas industries, from June 2013 to July 2016.

Frank Maw

Mr. Maw acquired significant financial experience and exposure to accounting and financial issues while serving in a variety of different executive capacities, including past President of Motorola Canada Limited and President of the original Paging Services Council of Canada, in addition to being a graduate of the University of Western Ontario.

Andrew Gutman

Mr. Gutman acquired significant financial experience and exposure to accounting and financial issues while being active in private equity and venture capital capacities for over 10 years, as well as 15 years of experience in managing and advising profitable, growth and acquisition oriented software companies. Mr. Gutman was also the past Chief Executive Officer of Speedware Corporation.

14.4 Reliance on Certain Exemptions

Since June 28, 2016, BSM has relied on the exemption set forth in Section 3.3(2) of NI 52-110. Pursuant to Section 1.4 of NI 52-110, Mr. Gutman is deemed to have a material relationship with the Company by virtue of his role as Chief Executive Officer of Webtech prior to its acquisition by BSM. The Board determined that, in its reasonable judgment, Mr. Gutman is able to exercise the impartial judgment necessary to fulfill his responsibilities as an Audit Committee member and his appointment to the Audit Committee is in the best interests of the Company. Mr. Gutman is no longer be deemed to have a material relationship with the Company as of September 30, 2018. Other than as noted above, BSM did not rely on any other exemptions contained in NI 52-110 since the commencement of the most recently completed financial year.

14.5 Audit Committee Oversight

The Board accepted all recommendations of the Audit Committee since the commencement of the most recently completed fiscal year regarding the recommendation to nominate or compensate an external auditor.

14.6 Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by BSM's external auditor. The Audit Committee has responsibility for overseeing the pre-approval of all non-audit services to be provided to BSM or its subsidiaries by the external auditors or the external auditors of the Company's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit Committee.

14.7 External Auditor Service Fees

PricewaterhouseCoopers LLP (Canada) ("**PwC**") has served as the Company's external auditor since October 14, 2011. PwC provides professional services for audits relating to statutory and regulatory requirements. In the past, the Board has negotiated with the auditors of BSM on an arm's-length basis in determining the fees to be paid to the auditors. Such fees have been based on the complexity of the matters in question and the time incurred by the auditors. The Board believes that the fees negotiated in the past with the auditors of BSM were reasonable and in the circumstances would be comparable to fees charged by other auditors providing similar services.

The following table sets forth the various services provided by PwC and their respective affiliates to BSM during each of BSM's last two fiscal years, together with the fees (exclusive of HST) billed during the year for such services:

Fee Type	Fiscal Year Ended September 30,	Fiscal Year Ended September 30,
	2018 (\$)	2017 (\$)
Audit Fees ⁽¹⁾	232,500	232,000
Audit Related Fees ⁽²⁾	79,600	67,000
Tax Fees ⁽³⁾	Nil	15,000
All Other Fees ⁽⁴⁾	75,000	72,000

Notes:

- (1) Audit Fees consist of fees paid or accrued for the annual audit of BSM's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include the provision of comfort letters and consents, the consultation concerning financial accounting and reporting of specific issues and the review of documents filed with regulatory authorities.
- (2) Audit Related Fees consist of fees paid or accrued for assurance and related services that are reasonably related to the performance of the audit or review of BSM's financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; review of security controls and operational effectiveness of systems; due diligence related to acquisitions; and employee benefit plan audits.
- (3) Tax Fees include fees paid or accrued for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from taxing authorities; tax planning services; and consultation and planning services.
- (4) All Other fees include fees for products and services other than the services reported in Audit Fees, Audit Related Fees and Tax Fees. Other fees include fees paid in connection with an operational IT security audit.

15 INTEREST OF EXPERTS

BSM's financial statements for the fiscal years ended September 30, 2018, and 2017, were audited by PwC, independent auditors appointed by the BSM shareholders upon the recommendation of the Board. PwC has advised BSM that it is independent of BSM in accordance with the Rules of Professional Conduct of Chartered Professional Accountants of Ontario.

16 ADDITIONAL INFORMATION

Additional information relating to BSM can be found under BSM's profile on SEDAR at www.sedar.com, or on BSM's website at www.bsmtechnologies.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of BSM securities, and securities authorized for issuance under equity compensation plans is contained in the Company's management information dated February 9, 2018. Additional financial information is provided in the Company's audited annual consolidated financial statements for the fiscal years ended September 30, 2018, and 2017, together with the auditors' report thereon, and in the related management's discussion and analysis for the three and twelve months ended September 30, 2018, which may be found under BSM's profile on SEDAR at www.sedar.com, or on BSM's website at www.bsmtechnologies.com. The content of the Company's website is not incorporated by reference into this AIF.

SCHEDULE A

AUDIT COMMITTEE CHARTER

A. Overview and Mandate

The Audit Committee (the "Audit Committee") is a committee of the Board of Directors (the "Board") of BSM Technologies Inc. (the "Company"). The purpose of the Audit Committee is to assist the Board in fulfilling its statutory responsibilities and the Audit Committee shall review the quarterly and annual consolidated financial statements of the Company and shall report thereon to the Board before such quarterly and annual consolidated financial statements are approved by the Board, and shall oversee the accounting and financial reporting processes of the Company and the reviews and audits of the financial statements of the Company. The Audit Committee also shall perform the duties as described under "Duties and Responsibilities" below.

The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including for the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the "auditor"), and each auditor must report directly to the Audit Committee.

It is recognized that the Audit Committee will be acting only within the terms of reference set out herein and it is not intended that the Audit Committee shall usurp any of the powers or responsibilities of the Board as set out in the *Business Corporations Act* (Ontario) and/or the By-laws of the Company.

The Audit Committee may engage independent counsel or other advisors as it determines necessary to carry out its duties.

The Company shall provide for appropriate funding, as determined by the Audit Committee in its capacity as a committee of the Board, for payment of:

- a) compensation to any auditor;
- b) compensation to any independent counsel or adviser employed by the Audit Committee pursuant to this charter; and
- c) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in respect of the performance by the Audit Committee of its duties.

B. Membership and Attendance at Meetings

1. The members of the Audit Committee shall consist of not fewer than three (3) members each of whom shall be a director of the Company.
2. Each member of the Audit Committee shall have no direct or indirect relationship with the Company which, in the view of the Board, could reasonably interfere with the exercise of the member's independent judgment. Each member shall otherwise satisfy the independence requirements applicable to members of audit committees under National Instrument 52-110 – *Audit Committees* of certain of the Canadian Securities

Administrators and the requirements of any other applicable legislation or stock exchange rules, subject to any exemptions or relief that may be granted from such requirements.

3. Each member of the Audit Committee shall have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
4. The Chair of the Audit Committee shall be appointed by the Board and shall be responsible for the overall operation of the Audit Committee.
5. Members shall serve one-year terms and may serve consecutive terms.
6. The auditor of the Company is entitled to receive notice of every meeting of the Audit Committee in which a matter related to the audit of the financial statements of the Company is to be discussed, and shall be entitled to attend such meetings, subject to a determination by the Audit Committee to exclude them from all or any part of the meeting to the extent permitted under applicable law.
7. In its discharge of its responsibilities and duties set out herein, the Audit Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the relevant accounting books, records and systems of the Company and shall discuss with the officers of the Company such books, records, systems and other matters considered appropriate.
8. No member of the Audit Committee may serve on the audit committees of more than three other public companies at the same time as being a member of the Company's Audit Committee, unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee.

C. Duties and Responsibilities

The Audit Committee shall fulfil the following duties arising from its mandate set out above:

1. Review and assess the adequacy of this charter on an annual basis, or more often if deemed appropriate.
2. Review and approve the annual consolidated financial statements of the Company and the notes thereto following the examination thereof by the auditor and prior to their approval by the Board and report to the Board thereon.
3. Review and approve the quarterly financial statements, notes thereto and quarterly management discussion and analysis (MD&A) and related press releases of the Company prior to their approval by the Board and report to the Board thereon.
4. Review and approve the annual MD&A, and other public disclosure documents and related press releases, including any prospectus prior to their approval by the Board and report to the Board thereon.
5. Review, and approve, the planned scope of the examination of the annual and quarterly consolidated financial statements and all related audit activities by the auditor of the Company, including expected related audit fees.

6. Review the disclosure in the annual information form.
7. Review the accounting principles and practices to be applied and followed by the Company during the fiscal year and any significant changes from those applied and followed during the previous year.
8. Review the adequacy of the systems of internal accounting and audit policies, practices and controls established by the Company, and discuss with the auditor the results of its reviews and reports.
9. Review all litigation and claims involving or against the Company which could materially adversely affect its financial position and which the auditor or any officer of the Company may refer to the Audit Committee.
10. Ensure the auditor's ultimate accountability to the Board and the Audit Committee as representatives of the shareholders and as such representatives, to evaluate the performance of the auditor and review and report to the directors regarding the nomination and the remuneration and other material terms of the engagement of the auditor, and the performance by the auditor thereunder, and to recommend to the shareholders the reappointment or replacement of the auditor.
11. Ensure that the auditor submits on a periodic basis to the Audit Committee, a formal written statement delineating all relationships between the auditor and the Company, consistent with Canadian auditor independence standards, and to review such statement and to actively engage in a dialogue with the auditor with respect to any disclosed or undisclosed relationships or services that may impact on the objectivity and independence of the auditor, and to review the statement and the dialogue with the Board of Directors and recommend to the Board of Directors appropriate action to ensure the independence of the auditor.
12. Provide a line of communication between the auditor and the Board, and communicate directly with the auditor and with any internal auditor of the Company.
13. Meet with the auditor at least once per year without management present to allow a candid discussion regarding any concerns the auditor may have and to resolve any disagreements between the auditor and management regarding the Company's financial reporting.
14. Review and pre-approve non-audit services provided by the auditor; provided that the pre-approval of non-audit services is satisfied if:
 - a) the aggregate amount of all of the non-audit services that were not pre-approved are reasonably expected to constitute no more than five percent of the total amount of fees paid by the Company and its subsidiaries to the independent auditor during fiscal year in which the services are provided;
 - b) the Company or a subsidiary did not recognize services as non-audit services at the time of the engagement; and
 - c) the services are promptly brought to the attention of the Audit Committee and approved, prior to completion of the audit, by the Audit Committee or by one or

more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

15. Review and approve hiring policies regarding partners, employees, and former partners and employees of the present and former external auditors of the Company.
16. Approve the Company's Disclosure Policy and review and assess the adequacy of the policy on an annual basis, or more often if deemed appropriate.
17. Review and approve all "related party" transactions, as defined by the rules of the applicable regulatory authorities.
18. Review the status of taxation matters of the Company and its major subsidiaries.
19. Review the short-term investment strategies respecting the cash balance of the Company.
20. Review the hedging strategies of the Company.
21. Review the adequacy of all insurance policies maintained by the Company.
22. Establish procedures for:
 - a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
23. Review regular reports from management and others with respect to the Company's compliance with laws and regulations having a material impact on the financial statements of the Company.
24. Review annually the Company's reserves with respect to environmental, health and safety matters.
25. Conduct or undertake such other duties as may be required from time to time by any applicable regulatory authorities, including the Toronto Stock Exchange or any other stock exchange.
26. At least annually, undertake a self-assessment of the Audit Committee's performance of its duties.

D. Meetings

1. The Audit Committee shall meet at least four times annually, or more frequently as circumstances require. The Audit Committee shall meet: (i) within 45 days following the end of each of the first three fiscal quarters to review and discuss the unaudited financial results for the preceding quarter, earnings release, and the related MD&A; and (ii) within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the fiscal year, the earnings press release, and the related MD&A prior to their publishing.

2. Audit Committee meetings may be called by the Chair of the Audit Committee or by a majority of the Audit Committee members. Notwithstanding such procedures, a meeting of the Audit Committee may also be called by the external auditor.
3. The Chair of the Audit Committee (or his or her designate) will prepare an agenda in advance of each meeting, in consultation with management, other committee members, and where appropriate the external auditor and the internal audit function. The agenda and supporting materials will be circulated to the members in advance of the meeting to allow members an appropriate period of time to prepare for the meeting.
4. A quorum for the transaction of business at any meeting of the Audit Committee is a majority of appointed members.
5. At any meeting of the Audit Committee, questions will be decided by a majority of the votes cast by members present, except where only two members are present, in which case any question must be decided unanimously.
6. The Audit Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.
7. Meetings may be held in person, by teleconference, or through the use of any telecommunication device that permits all persons participating in the meeting to communicate with each other.
8. A written resolution signed by all Audit Committee members entitled to vote on that resolution at a meeting of the Audit Committee is as valid as one passed at an Audit Committee meeting.
9. The Corporate Secretary will ensure that minutes of the proceedings of all meetings of the Audit Committee are maintained and available to the Board when requested.

E. Reporting

The Audit Committee shall report on its review of the quarterly consolidated financial statements and annual audited consolidated financial statements of the Company to the Board prior to the approval of financial statements by the Board. In addition, the Chair of the Audit Committee shall, when deemed necessary or when requested by the Chair of the Board, report to the Board from time to time on the activities of the Audit Committee.