Management's Discussion & Analysis

Three and twelve months ended September 30, 2018 and 2017

General Information

This management's discussion and analysis ("MD&A") contains important information about our business and our performance for the three and twelve months ended September 30, 2018, as well as forward-looking information about future periods. This MD&A should be read in conjunction with our consolidated financial statements for the fiscal year ended September 30, 2018 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB); our Annual Information Form ("AIF") for the fiscal year ended September 30, 2018 ("2018 AIF"); and our other recent filings with Canadian securities regulatory authorities, which are available on SEDAR at www.sedar.com.

All dollar amounts within this MD&A are presented in thousands of Canadian dollars ("CAD") unless otherwise stated. All percentage changes are calculated using the rounded numbers as they appear in the tables. This MD&A is current as of December 19, 2018 and was approved by the Board of Directors on that date. This MD&A includes forward-looking statements and assumptions. See the "About Forward-Looking Information" section of this MD&A for more information. "We", "us", "our", "BSM" and the "Company" refer to BSM Technologies Inc. and its subsidiaries.

In this MD&A, "This Quarter" or the "Current Quarter" refers to the three months ended September 30, 2018, which is the fourth quarter of our 2018 fiscal year. All financial performance commentary compared to the three months ended September 30, 2017 is referred to as the "Prior Period". We also disclose the current fiscal year to date performance for fiscal 2018 in this MD&A which is referred to as the "Current YTD Period". All financial performance commentary for the year ended September 30, 2017 is referred to as the "Prior YTD Period". Together, the Prior Period and the Prior YTD Period are collectively referred to as the "Prior Periods".

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

Description of the Business

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.

When deploying solutions with BSM, Customers typically purchase a combination of hardware, professional services and installation services. The Company sells both proprietary technology solutions as well third-party technology through the licensing and resale of selected partner and vendor solutions. BSM relies on acquired, licensed and internally developed technologies to provide its solutions. BSM has several patents and has filed patent applications directed at different aspects of the Company's end-to-end solutions.

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.

For a further description of the business, including a description of the Company's products and services, business operations and risk factors, refer to the 2018 AIF.

Summary of Consolidated Financial Results

Consolidated Statements of Loss and Comprehensive Loss

	Three months ended September 30				**Twelve months ended September 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Revenue	**14,259**	15,690	(1,431)	(9%)	**59,735**	66,717	(6,982)	(10%)
Cost of revenue	**6,094**	6,540	(446)	(7%)	**25,291**	27,378	(2,087)	(8%)
Gross profit	**8,165**	9,150	(985)	(11%)	**34,444**	39,339	(4,895)	(12%)
Interest income from finance leases	**67**	34	33	97%	**246**	214	32	15%
General and administrative	**2,478**	3,234	(756)	(23%)	**11,818**	13,128	(1,310)	(10%)
Research and development	**3,578**	3,392	186	5%	**14,119**	12,745	1,374	11%
Sales and marketing	**3,394**	3,752	(358)	(10%)	**13,163**	15,573	(2,410)	(15%)
Acquisition, integration and restructuring expenses	**1,279**	504	775	154%	**1,977**	839	1,138	136%
Fair value adjustments on contingent consideration	**(264)**	(285)	21	(7%)	**(2,772)**	(285)	(2,487)	873%
Impairment loss on intangible assets	**9,101**	-	9,101	-	**9,101**	-	9,101	-
Foreign exchange (gain) loss	**278**	173	105	61%	**(140)**	567	(707)	(125%)
Net interest expense	**71**	124	(53)	(43%)	**419**	1,297	(878)	(68%)
Total expenses	**19,915**	10,894	9,021	83%	**47,685**	43,864	3,821	9%
Loss before income taxes	**(11,683)**	(1,710)	(9,973)	583%	**(12,995)**	(4,311)	(8,684)	201%
Current income tax expense (recovery)	**(14)**	(250)	236	(94%)	**55**	133	(78)	(59%)
Deferred income tax expense (recovery)	**7,159**	(242)	7,401	(3,058%)	**7,010**	(242)	7,252	(2,997%)
Loss for the period	**(18,828)**	(1,218)	(17,610)	1,446%	**(20,060)**	(4,202)	(15,858)	377%
Foreign exchange gain on foreign operations, net of tax	**(488)**	(723)	235	(33%)	**659**	(861)	1,520	(177%)
Total comprehensive loss for the period	**(19,316)**	(1,941)	(17,375)	895%	**(19,401)**	(5,063)	(14,338)	283%
EBITDA[(i)]	**(9,591)**	343	(9,934)	(2,896%)	**(3,959)**	5,292	(9,251)	(175%)
Adjusted EBITDA[(i)]	**890**	1,189	(299)	(25%)	**5,523**	8,324	(2,801)	(34%)

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

Revenues by Geographical Location (Based on Customer Location)

	Three months ended September 30				Twelve months ended September 30			
($ thousands)	**2018**		2017		**2018**		2017	
Canada	**$ 5,907**	41%	$ 6,047	39%	**$ 24,325**	41%	$ 25,327	38%
United States	**8,208**	58%	9,410	60%	**34,727**	58%	40,306	60%
International	**144**	1%	233	1%	**683**	1%	1,084	2%
Total revenue	**$ 14,259**	100%	$ 15,690	100%	**$ 59,735**	100%	$ 66,717	100%

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

	Three months ended September 30				Twelve months ended September 30			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Revenue								
Hardware revenue[i]	**2,326**	4,183	(1,857)	(44%)	**11,003**	17,700	(6,697)	(38%)
Recurring revenue[i]	**11,061**	10,976	85	1%	**44,648**	45,660	(1,012)	(2%)
Professional Services revenue[i]	**872**	531	341	64%	**4,084**	3,357	727	22%
Total revenue	**14,259**	15,690	(1,431)	(9%)	**59,735**	66,717	(6,982)	(10%)
Cost of revenue								
Hardware cost of revenue	**2,025**	2,924	(899)	(31%)	**8,724**	11,506	(2,782)	(24%)
Recurring cost of revenue	**3,325**	2,855	470	16%	**13,197**	12,019	1,178	10%
Professional Services cost of revenue	**744**	761	(17)	(2%)	**3,370**	3,853	(483)	(13%)
Total cost of revenue	**6,094**	6,540	(446)	(7%)	**25,291**	27,378	(2,087)	(8%)
Gross profit								
Hardware gross profit	**301**	1,259	(958)	(76%)	**2,279**	6,194	(3,915)	(63%)
Recurring gross profit	**7,736**	8,121	(385)	(5%)	**31,451**	33,641	(2,190)	(7%)
Professional Services gross profit	**128**	(230)	358	(156%)	**714**	(496)	1,210	(244%)
Total gross profit	**8,165**	9,150	(985)	(11%)	**34,444**	39,339	(4,895)	(12%)
Gross profit margin ("GP margin")								
Hardware GP margin	**13%**	30%	(17%)	(57%)	**21%**	35%	(14%)	(40%)
Recurring GP margin	**70%**	74%	(4%)	(5%)	**70%**	74%	(4%)	(5%)
Professional Services GP margin	**15%**	(43%)	58%	(135%)	**17%**	(15%)	32%	(213%)
Total gross profit margin	**57%**	58%	(1%)	(2%)	**58%**	59%	(1%)	(2%)

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

Selected Annual Information

In addition to the summarized consolidated financial information shown above, refer to the following table for disclosure of selected annual information for the past three fiscal years.

($ thousands, except per share data)	Fiscal year ended September 30 2018	2017	2016
Revenue	$ 59,735	$ 66,717	$ 58,997
Net income (loss) for the period	$ (20,060)	$ (4,202)	$ 7,609
Net income (loss) per share - Basic	$ (0.248)	$ (0.052)	$ 0.091
Net income (loss) per share – Diluted	$ (0.248)	$ (0.052)	$ 0.090
Total assets	$ 83,318	$ 112,440	$ 116,710
Total non-current liabilities	$ 1,657	$ 368	$ 11,772

Overall Company Performance and Key Changes in Financial Results

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

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

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

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

Revenue

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

Hardware Revenue is comprised of revenue recognized for the sale of our proprietary and third-party telematics devices. Hardware Revenue also includes the present value of future payments for hardware sold to customers via a leased financing arrangement. Hardware Revenue decreased by 44% and 38% for the three and twelve months ended September 30, 2018 as compared to the Prior Periods due to fewer large volume hardware orders shipped as well as from a lower average selling price as a result of increased pricing pressure on hardware sales.

Professional Services Revenue includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to our customers. Professional Services Revenue increased by 64% and 22% for the three and twelve months ended September 30, 2018. The increase was primarily associated with the custom development of a highly engineered solution for an enterprise customer. On a YTD basis, the volume of installation and other project management services was lower than the Prior YTD Period. The volume of installations, project management and other professional services activities varies from period to period based on the specific requirements of our customers and the deployments in those periods.

Recurring Revenue is comprised of monthly Application Service Provider ("ASP") fees. ASP fees are charged to customers for access to use of the Company's technology platforms and for the data reported from their monitored assets. Recurring Revenue is typically contractual in nature and customers typically will contract with us for durations of 36 months or longer. ASP fees are generally charged to customers on a per asset basis where those assets are vehicles, equipment or other types of stationary and mobile equipment. These customer assets are defined by us as "Subscribers" or individually, "a Subscriber". Recurring Revenue is billed either annually, quarterly or monthly and is recognized as the services are provided on an on-going basis.

Recurring Revenue increased by 1% for the three months ended September 30, 2018 as compared to the Prior Period. On a constant currency basis, Recurring Revenue for the Current Quarter decreased 2% as compared to the Prior Period due to an increase in relative value of the United States dollar between the comparative periods. The Prior Period Recurring Revenue results also included the reversal of one-time revenue credits which was not repeated in the Current Quarter. Adjusting for these items, Recurring Revenue was relatively unchanged as compared to the Prior Period.

On a year to date basis, Recurring Revenue in fiscal 2018 was 2% lower than the Prior YTD Period. On a constant currency basis, Recurring Revenue for the Current YTD period was 1% lower than the Prior YTD Period. The 1% decrease is primarily the result of a lower ARPU in the Current YTD Period relative to the comparative period.

For the three and twelve months ended September 30, 2018 we achieved gross Subscriber additions of 3,100 and 16,900, experienced Subscriber churn of 3,700 and 14,000, resulting in a September 30, 2018 Subscriber base of 164,600, an increase from 161,700 as at September 30, 2017.

ARPU in the Current Quarter was $22.35 compared to $22.67 ($23.28 on a constant currency basis) in the Prior Period. The decrease in ARPU on a constant currency basis is the result of a change in the mix of ARPU from gross new subscriber additions relative to subscriber churn.

Gross Profit and Gross Profit Margin

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

During the three months ended September 30, 2018, gross profit margin on Hardware Revenue was 13% as compared to 30% in the Prior Period. The current period hardware cost of sales included a product obsolesce impairment of $300 related to specific hardware that had compatibility limitations with respect to the Company's other hardware products. Gross profit margin on Hardware Revenue would have been 26% when normalized for this non-recurring impairment. For the twelve months ended September 30, 2018, gross profit margin on Hardware Revenue was 21% as compared to 35% in the Prior Period. Both the Current Period and the Current YTD Period Hardware Revenue gross profit margins were negatively impacted by lower average selling prices and lower economies of scale on our hardware assembly and test activities due to lower revenues.

Gross profit on Professional Services Revenue was $128 for the three months ended September 30, 2018, as compared to a negative contribution of $230 in the Prior Period. Gross profit in the current quarter was favourable due to the recognition of non-recurring engineering revenue related to the development of a specialized rail car

solution for an enterprise customer. This project was delivered over the course of the year and also impacted the twelve months results where the Company generated positive gross profit of $714 as compared to a negative contribution of $496 in the Prior YTD Period. Gross profit margin on Professional Services Revenue will fluctuate based on the type and mix of revenue generating activities completed in each period.

Gross profit margin on Recurring Revenue was 70% for the three and twelve months ended September 30, 2018 as compared to 74% in the Prior Periods. The decrease in gross profit margin is attributable to a shift in resource allocation from operating expenses, specifically general and administrative and research and development costs, to the recurring costs of goods sold. As we work with customers to migrate them from legacy technology platforms to newer technologies, we have proactively focused on ensuring a high level of customer support. Accordingly, we have increased the resources in our development operations and customer support teams. Additionally, lower revenues from a decrease in ARPU has also caused the gross profit margin on Recurring Revenue to decrease as compared to the Prior Periods.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of employee salaries related to finance, 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. G&A expenses decreased by $756 and $1,310 in the three and twelve months ended September 30, 2018 compared to the Prior Periods primarily due to the elimination of certain employment positions resulting from the restructuring activities that were completed in the last quarter of fiscal 2017 and the first quarter of fiscal 2018. G&A expenses in the Current Quarter and Fiscal YTD Period include depreciation, amortization and share-based compensation expenses of $223 and $1,499 respectively.

Research and Development Expenses

Research and development ("R&D") expenses consist of employee salaries and expenses related to product development activities, consultant fees, the amortization of acquired technology assets and other expenses associated with software and hardware development. Research and development expenses increased by $186 and $1,374 in the three and twelve months ended September 30, 2018 compared to the Prior Periods. The increases are attributable to our effort to invest in human capital to enhance existing products and to develop new product offerings. R&D expenses in the three and twelve months ended September 30, 2018 include $512 and $2,505 of non-cash costs including amortization and share-based compensation expenses. In addition to research and development costs, the Company incurs salaries and wages and other costs to maintain and host its software platforms on an on-going basis. These technology costs are categorized as a cost of goods sold.

Sales and Marketing Expenses

Sales and marketing ("S&M") expenses include employee costs of our pre-sales team of solutions engineers; the salaries, benefits, travel and commission costs of our direct sales team; advertising and marketing costs; sales administration costs; and, the amortization of acquired customer contracts and relationships. S&M expenses decreased by $358 and $2,410 relative to the Prior Periods 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. S&M expenses for the three and twelve months ended September 30, 2018 include $1,219 and $5,322 of non-cash expenses for the amortization of the customer contracts and relationships obtained through acquisitions as well as for share-based compensation expenses associated with sales and marketing personnel.

Foreign Exchange Gain (Loss)

Foreign exchange gains and losses arise from the translation of assets and liabilities denominated in foreign currencies (primarily US dollar working capital). During the Current Quarter, the revaluation of foreign denominated balances gave rise to a $278 foreign exchange loss which was recorded in net loss. For the fiscal year to date period, the impact of the strengthening of the US dollar relative to the Canadian dollar led to a $140 foreign exchange gain on the revaluation of foreign denominated balances. The change in foreign exchange gains and losses when

compared to the Prior Periods is a result of different foreign exchange rate movements and a fluctuation in US dollar denominated working capital balances in the respective periods.

Acquisition, Integration and Restructuring Expenses

Acquisition, integration and restructuring expenses include costs we incur to acquire and integrate the businesses we purchase as well as restructuring expenses incurred during the year. Acquisition, integration and restructuring expenses increased by $775 and $1,138 in the three and twelve months ended September 30, 2018 compared to the Prior Periods. The increase relates to costs associated with termination and severance costs associated with terminated employees.

Impairment Loss on Intangible Assets

In the Current Quarter, the Company identified an impairment of specified intangible assets. The impairment of these assets is a result of the Company's decision to replace certain legacy product offerings with the Company's new platform, BSM illuminate. Concurrent with this product change, the Company has developed a plan to migrate customers from legacy platforms to the BSM illuminate platform. An impairment loss of $9,101 was recognized in the current quarter and for the year ended September 30, 2018 for the specific intangible assets impacted by this change. The impaired intangible assets include previously acquired technology, licenses, internally generated intangibles and customer contracts which are associated with legacy platforms.

Deferred Tax Expense

During the Current Quarter, the Company conducted a review of its operations and legal entity structure in Canada and the US. As a result of this analysis, the Company identified opportunities to optimize the utilization of Canadian non-capital losses. Throughout this process the Company also reviewed its forecasted taxable income, by jurisdiction, to evaluate the sufficiency of taxable income to be able to utilize losses or other deductible temporary differences. The result of this evaluation was a derecognition of previously recognized deferred tax asset related to the specified tax attributes. The financial statement impact of this was a reduction in the Company's deferred tax asset of $7,010 recognized through the results of operations as a deferred tax expense.

Net Income (Loss)

In the three and twelve months ended September 30, 2018, the Company had a net loss of $18,828 and $20,060 compared to a net loss of $1,218 and $4,202 in the Prior Periods. The increase in net loss for the Current Quarter and the twelve-month period is primarily attributable to a $9,101 impairment loss on intangible assets and a $7,010 deferred tax expense related to a derecognition of a portion of the Company's deferred tax asset.

EBITDA and Adjusted EBITDA

Compared to the Prior Periods, in the three and twelve months ended September 30, 2018, Adjusted EBITDA decreased by $299 and $2,801 respectively. Adjusted EBITDA normalizes operating results for changes in: fair value adjustments; share-based compensation; impairment on non-financial assets; foreign exchange gains and losses; and, acquisition, integration and restructuring expenses which may not be comparable period over period. The decrease in Adjusted EBITDA is attributable to lower gross profit from Hardware Revenue as a result of fewer large customer deployments, however, an increase in Professional Services Revenue gross profit helped to offset the Hardware Revenue related decrease. Additionally, gross profit contribution from Recurring Revenue was lower due to a decrease in revenue and gross profit margin. The decreases in gross profit were partially offset by a decrease in total cash operating costs as compared to the Prior Period and Prior YTD Period. Refer to the "Non GAAP Financial Measures and KPI's" section below for a reconciliation of Adjusted EBITDA to EBITDA and net loss.

Summary of Quarterly Data

The following table sets forth certain information for each of the eight most recent quarters, including the current quarter ended September 30, 2018. The quarterly information has been derived from our condensed interim consolidated financial statements which have been prepared on a basis consistent with the annual audited

consolidated financial statements (except for any changes in accounting policy and financial presentation in such years) and include all adjustments necessary for the fair presentation of the information presented.

($ thousands, except per share data)	FY 2017				FY 2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Revenue	$ 18,363	$ 16,004	$ 16,660	$ 15,690	$ 14,906	$ 14,806	$ 15,764	**$ 14,259**
Gross profit	10,912	9,458	9,819	9,150	8,717	8,716	8,846	**8,165**
Net income (loss)	(465)	(1,181)	(1,336)	(1,218)	(2,236)	1,696	(692)	**(18,828)**
EBITDA	2,344	1,557	1,051	343	426	3,803	1,402	**(9,591)**
Adjusted EBITDA	2,818	2,170	2,150	1,189	1,402	1,595	1,632	**890**
EPS - basic	$ (0.006)	$ (0.015)	$ (0.017)	$ (0.014)	$ (0.028)	$ 0.021	$ (0.009)	**$ (0.233)**
EPS – diluted	$ (0.006)	$ (0.014)	$ (0.016)	$ (0.014)	$ (0.028)	$ 0.021	$ (0.009)	**$ (0.233)**

Managing Our Liquidity and Financial Resources

Consolidated Statements of Cash Flows - Operating, Investing, and Financing Activities

	Three months ended September 30				**Twelve months ended September 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Cash and cash equivalents, beginning of period	**2,735**	6,472	(3,737)	(58%)	**8,708**	24,900	(16,192)	(65%)
Cash and cash equivalents, end of period	**5,908**	8,708	(2,800)	(32%)	**5,908**	8,708	(2,800)	(32%)
Increase (decrease) in cash and cash equivalents	**3,173**	2,236	937	42%	**(2,800)**	(16,192)	13,392	(83%)
Change due to:								
Operating activities	**3,846**	5,088	(1,242)	(24%)	**6,230**	5,646	584	10%
Financing activities	**(408)**	(1,977)	1,569	(79%)	**(8,278)**	(12,276)	3,998	(33%)
Investing activities	**(232)**	(659)	427	(65%)	**(871)**	(9,383)	8,512	(91%)
Impact of foreign exchange on cash held in foreign currencies	**(33)**	(216)	183	(85%)	**119**	(179)	298	166%
Total change in cash and cash equivalents	**3,173**	2,236	937	42%	**(2,800)**	(16,192)	13,392	(83%)

Operating activities: In the three months ended September 30, 2018, the Company generated $3,846 in cash flows from operations which included a $4,260 increase in cash from a change in working capital. Working capital in the Current Quarter decreased from the collection of $3,436 receivable from an enterprise customer who pays for their subscription service annually in advance. Cash generated from working capital changes in the Current Quarter were also impacted favourably by the reduction of accounts receivables due to the Company's cash collection efforts.

In the twelve months ended September 30, 2018, the Company generated $6,230 in cash flow from operations which included a $2,960 increase in cash from reducing working capital. In the fiscal YTD Period, the largest movements within working capital was an increase in cash of $3,030 generated from the collection of accounts receivable. This was offset by a use of cash for the drawdown of $1,400 in deferred revenue, accounts payable, and accrued liabilities. Excluding the impact of restructuring cash flows and a change in working capital, the Company generated $5,247 in operating cash flows for the fiscal year.

Investing activities: In the three and twelve months ended September 30, 2018, $232 and $871 in cash were used for investing activities. Investing activities in the Current Quarter primarily consisted of investments in GPS locators deployed to our customers, computer equipment, and capitalized expenses related to implementation costs associated with the Company's internal systems.

Financing activities: In the three and twelve months ended September 30, 2018, $408 and $8,278 in cash were used in financing activities. During the Current Quarter, the Company paid $1,092 to repurchase and cancel common shares in accordance with its normal course issuer bid. In addition, the Company drew down $754 against the Company's revolving line of credit. In the fiscal YTD Period, cash used in financing activities was primarily to settle contingent consideration related to the Mobi acquisition of $5,921. The repurchase and cancellation of common shares drove a further $3,102 use of cash while the Company's revolving line of credit provided a $873 source of cash.

NCIB and Share Repurchases

During the three and twelve months ended September 30, 2018, in accordance with the Company's normal course issuer bid (the "Bid"), the Company repurchased and cancelled 860,100 and 2,436,969 common shares at a cost of $1,092 and $3,102, respectively. Under the terms of the Bid, the Company may acquire up to 7,002,017 common shares from time to time in accordance with TSX procedures, representing approximately 10% of the total public float of common shares. In the Prior Periods, the Company repurchased and cancelled 278,727 and 449,127 common shares under a prior normal course issuer bid. These common shares were repurchased and cancelled at a cost of $421 and $676, respectively.

From time to time, the Company may make purchases under the Bid via an automatic securities repurchase plan (a "Plan"), through which the timing for the purchase of common shares, the number of common shares purchased and the price payable for the common shares will be determined by the Company's broker, at its sole discretion. Such purchases are subject to a prescribed maximum price payable, without consultation with the Company, having regard to the price limitations and other terms of the Plan and the rules of the TSX. As at September 30, 2018, the Company had a Plan in place with its broker. Given the automatic nature of the Plan, the Company has recognized a share repurchase liability of $493 in the consolidated statements of financial position. The share repurchase liability has been recorded at the maximum purchase exposure under the Plan during the period of October 1, 2018 through December 20, 2018 which is the period the Company anticipates being prohibited from cancelling or making amendments to the Plan due to TSX "blackout" restrictions.

Credit Facilities

The Company's long-term debt balance is comprised of a $20 million revolving credit facility ("Revolver") with the Toronto-Dominion Bank. The Company may draw on the Revolver in either US dollars or Canadian dollars, and as at September 30, 2018, the Company had $1,323 drawn against the Revolver (2017 – $nil).

The Revolver is secured by a first ranking security interest over all personal property of the Company. The Revolver also contains certain financial covenants including maximum debt leverage, interest coverage, and other non-financial covenants with which the Company is required to comply. The Company is in compliance with these covenants as at September 30, 2018. Expected covenant compliance is based on forward looking financial information. Changes in such information or actual performance may necessitate an amendment to the financial covenants or result in a requirement to repay a portion or all of the Company's indebtedness.

Contractual Commitments

In the fiscal year to date period, the Company's contractual commitments decreased due to the settlement of the contingent consideration issued in accordance with the Mobi acquisition and the expiration of the contingent consideration issued related to the Lat-Lon acquisition. As at September 30, 2018, the Company has total contractual commitments of $0.2 million for deferred contingent consideration payments. The fair value of this commitment has been recorded at $nil within the statement of financial position as the Company does not expect the related earn out target to be achieved. In addition to contingent consideration, the Company has $7.1 million of contractual

commitments for: purchase commitments to suppliers; operating lease payments for the premises it occupies; and letters of credit issued to customers as performance guarantees. As at September 30, 2018, the Company has $5.9 million in cash on hand and approximately $13.9 million of availability on its revolving credit facility for total liquidity of $19.8 million. In aggregate, the Company expects to have adequate liquidity to meet its contractual commitments as they come due over future periods.

Overview of Financial Position

Condensed Consolidated Statement of Financial Position

Balance	As at September 30, 2018	As at September 30, 2017	Change ($)	Change (%)	Comments
Assets					
Current assets	**$ 24,060**	$ 30,379	$ (6,319)	(21%)	The largest factor contributing to the decrease in current assets is the decrease accounts receivable as well as a decrease in cash as explained in the cash flows section of this MD&A.
Long-term assets	**59,258**	82,061	(22,803)	(28%)	The decrease of long-term assets is primarily attributable to: a $9,101 impairment loss on intangible assets, $7,620 intangible asset amortization, and a $7,010 decrease in the recognized deferred tax asset.
Total assets	**$ 83,318**	$ 112,440	$ (29,122)	(26%)	
Liabilities					
Current liabilities	**$ 13,228**	$ 23,478	$ (10,250)	(44%)	The decrease in current liabilities is primarily due to: $5,921 paid to settle the Mobi contingent consideration; a $2,772 fair value adjustment gain related to Lat-Lon and JMM contingent consideration; and, a $864 reduction in the share purchase commitment liability.
Long-term liabilities	**1,657**	368	1,289	350%	The increase of long-term liabilities is mainly attributable to an increase in the amount of debt drawn on the Company's revolving facility.
Total liabilities	**14,885**	23,846	(8,961)	(38%)	
Shareholders' equity					
Common shares	**83,156**	83,932	(776)	(1%)	The decrease in common shares is primarily due to the repurchase of common shares under the Company's normal course issuer bid offset by an increase for shares issued on the vesting or exercise of RSUs and stock options.
Contributed surplus	**9,779**	9,763	16	0%	
Accumulated other comprehensive income (loss)	**224**	(435)	659	(151%)	The increase in accumulated other comprehensive income reflects the foreign exchange gain on the Company's net investment in foreign operations recognized in the year.
Deficit	**(24,726)**	(4,666)	(20,060)	430%	
Total shareholders' equity	**68,433**	88,594	(20,161)	(23%)	
Total liabilities and shareholders' equity	**$ 83,318**	$ 112,440	$ (29,122)	(26%)	

Outstanding Share Data

Our authorized share capital consists of an unlimited number of common shares. As at September 30, 2018, there were 80,983,793 issued common shares, including 699,575 common shares in escrow which are subject to JMM attaining certain revenue and EBITDA targets over five years from the acquisition date and 500,000 common shares in escrow subject to the acquired Praxis business attaining certain revenue targets over six years from the acquisition

date. In the fiscal YTD period, 54,795 shares previously in escrow was released to the beneficiaries as the required cash flow performance conditions were achieved.

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

As at September 30, 2018 there were 2,182,070 outstanding stock options, which have been issued to directors, officers and employees of the Company with a weighted average exercise price of $1.45. As at September 30, 2018 there were 1,606,997 outstanding restricted share units, which have been issued to officers and employees of the Company, and 610,346 outstanding deferred share units, which have been issued to directors of the Company.

Critical Accounting Policies and Estimates

This MD&A has been prepared with reference to the annual audited consolidated financial statements for the years ended September 30, 2018 and 2017, and the notes thereto, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. There were no significant changes in accounting policies applied by the Company during the year ended September 30, 2018. For further information on the Company's accounting policies, refer to note 3 of the Company's annual audited consolidated financial statements for the years ended September 30, 2018 and 2017. The Company has consistently applied its accounting policies throughout all periods presented. The Audit Committee of the Company's Board of Directors reviews the accounting policies and all quarterly and annual filings and recommends approval of both the condensed interim consolidated financial statements and the annual audited consolidated financial statements to the Board of Directors.

Updates to Risks and Uncertainties

Fair value hierarchy

Under IFRS, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). Fair values using Level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). The Company's sole financial instrument measured at fair value in the consolidated statements of financial position is the contingent consideration classified as a liability. The fair value of this instrument is determined using Level 3 inputs. The Company has no financial assets or liabilities measured using Level 1 or Level 2 inputs. Refer to note 20 for further disclosure related to contingent consideration.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises on assets, liabilities, trade receivables and trade payables, which are denominated in a currency other than the entity's functional currency. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows. The Company generated revenues and incurs expenses in currencies other than its functional currency and it manages foreign currency risk with a natural hedge, to the extent practical. In the year ended September 30, 2018, the Company recognized a foreign currency exchange gain in the consolidated statements of loss and comprehensive loss of $140 (2017 - loss of $567).

In addition to the foreign exchange risk on assets and liabilities held in a currency other than the entity's functional currency, the Company is exposed to foreign exchange risk arising on its net investment in foreign operations. In the year ended September 30, 2018, within other comprehensive income, the Company recognized a foreign currency exchange gain, net of deferred taxes, of $659 (2017 - loss of $861).

If a 10% shift in the Canadian dollar to the US dollar foreign currency exchange rate was to occur (and all other variables held constant), the foreign currency exchange gain or loss on the revaluation of assets and liabilities

denominated in US dollars held in subsidiaries with a Canadian dollar base currency would be plus or minus $112 and this would be recorded within income or loss in the consolidated statements of loss and comprehensive loss (2017 – plus or minus $118).

Interest rate risk

The Company has interest rate risk on its short-term investments and its revolving credit facility ("Revolver"). Under the Revolver, the Company may borrow either at stated rates or LIBOR plus an applicable margin. As at September 30, 2018, the Company had $1,323 drawn on its Revolver and therefore is exposed to fluctuations in the LIBOR. As at September 30, 2018, a 100 basis-point increase or decrease in the variable interest rates on the balance of the Company's long-term debt balance would have resulted in a change in interest expense of approximately $41 on an annualized basis (2017 – $46).

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The carrying value of cash and cash equivalents, net investment in finance leases and accounts receivable represent the Company's maximum exposure to credit risk. The trade receivables and net investment in finance leases have an exposure to economic downturns. Most of the Company's customers are not independently rated, therefore the quality of the customer is considered by taking into account its financial position, past experience and other factors. The utilization of credit limits is regularly monitored to minimize this risk.

The Company reviews its trade accounts receivable regularly and reduces amounts to their expected realizable values by making an allowance for doubtful receivables, as soon as the accounts are determined not to be fully collectible. As at September 30, 2018, trade accounts receivable of $2,467 (2017 - $3,492) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The Company also has credit risk relating to cash and short-term investments. Such risk is managed by maintaining cash and short-term investments at Schedule 1 financial institutions with a minimum credit rating of Aa1.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund obligations on the consolidated statements of financial position and to meet commitments and obligations in the most cost-effective manner possible. The Company achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Company monitors its financial resources and updates its expected use of cash resources based on the latest available data. Surplus cash held over and above balances required for working capital management are invested in interest bearing short-term deposits.

Management forecasts that the Company's existing cash and cash equivalents, cash generated from operations and the undrawn portion of the Revolver will be adequate to meet its financial liabilities and contractual commitments.

Non-GAAP Financial Measures and KPIs

Identification of Non-GAAP Financial Measures and KPIs

This MD&A contains references to certain financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities. These non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS. These financial measures are identified and defined below:

"Recurring Revenue" includes monthly fees, monthly monitoring fees, and resale of cellular and satellite data. Recurring Revenue is recognized monthly as services are delivered. We believe that Recurring Revenue provides useful information to our investors because it shows the long-term nature of revenue earned from our customer relationships. **"Hardware Revenue"** is comprised of revenue recognized for the sale of our proprietary and third-

party telematics devices. **“Professional Services Revenue”** includes installation fees, project management fees, custom development fee revenue, cancellation fees and other one-time services provided to our customers. We believe that separately disclosing these revenue categories helps us to explain period over period variation in financial performance. Furthermore, gross profit margin generated by each revenue categories varies and we believe disclosure of these different categories helps our investors to better understand the composition of our total revenue and the impact of relative changes in revenue categories on total gross profit margin. The revenue, cost of revenue, gross profit and gross profit margin by revenue category table disclosed in the summary of consolidated financial results section shows how each of these categories comprise total revenue as disclosed in the Company’s financial statements.

“EBITDA” and **“Adjusted EBITDA”** are measures of our operating profitability. We believe that EBITDA and adjusted EBITDA provide useful information to our investors because they exclude transactions not related to the core cash operating business activities, allowing meaningful analysis of the performance of our core cash operations.

EBITDA is an indicator of the financial results generated by our business activities excluding:

- the impact of any financing activities;
- amortization and depreciation of property and equipment and intangible assets; and
- taxes with respect to various jurisdictions.

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

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

As such, Adjusted EBITDA provides more meaningful continuity with respect to the comparison of our operating results over time. EBITDA and Adjusted EBITDA are derived from the consolidated statements of income and comprehensive income and consolidated statements of cash flows. We believe that using these metrics enhances an overall understanding of the Company’s results and we present them for that purpose.

Reconciliation of EBITDA and Adjusted EBITDA to Net Loss

EBITDA and adjusted EBITDA are calculated from net income as follows:

	Three months ended September 30				**Twelve months ended September 30**			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change (%)	Change (%)
Net loss as reported	**(18,828)**	(1,218)	(17,610)	1,446%	**(20,060)**	(4,202)	(15,858)	377%
Net interest expense	**71**	123	(52)	(42%)	**419**	1,297	(878)	(68%)
Income tax expense/(recovery)	**7,145**	(491)	7,636	(1,555%)	**7,065**	(109)	7,174	(6,582%)
Amortization	**2,021**	1,929	92	5%	**8,617**	8,306	311	4%
EBITDA	**(9,591)**	343	(9,934)	(2,896%)	**(3,959)**	5,292	(9,251)	(175%)
Share-based compensation	**87**	453	(366)	(81%)	**1,316**	1,911	(595)	(31%)
Fair value adjustments on contingent consideration	**(264)**	(285)	21	(7%)	**(2,772)**	(285)	(2,487)	873%
Foreign exchange (gain) loss	**278**	174	104	60%	**(140)**	567	(707)	(125%)
Impairment loss on intangible assets	**9,101**	-	9,101	-	**9,101**	-	9,101	-

($ thousands)	Three months ended September 30 2018 ($)	2017 ($)	Change ($)	Change (%)	Twelve months ended September 30 2018 ($)	2017 ($)	Change (%)	Change (%)
Acquisition, integration and restructuring costs	**1,279**	504	775	154%	**1,977**	839	1,138	136%
Adjusted EBITDA	**890**	1,189	(299)	(25%)	**5,523**	8,324	(2,801)	(34%)

Key Performance Indicators

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

A **"Subscriber"** is defined as a customer's individual asset monitored by a telematics device. A Subscriber is an important metric for our investors because it provides an indication of our ability to generate Recurring Revenue from providing recurring service to our customers. Subscriber additions occur when we bill for Recurring Revenue services to a new device not previously in our Subscriber base and Subscriber churn occurs when no longer bill the Subscriber for Recurring Revenue service due to cancellation or expiry of the Recurring Revenue services.

"**Average Revenue Per User or Subscriber**" or "**ARPU**" is calculated monthly as Recurring Revenue divided by the average number of Subscribers during the month. We believe ARPU helps to identify trends and to indicate whether we have been successful in attracting and retaining higher value Subscribers. ARPU calculated on a constant currency basis is presented in Canadian dollars (the Company's presentation currency) using the effective average foreign exchange rate from the current period for all prior periods presented. Calculating ARPU on a constant currency basis removes the impact of foreign currency fluctuations on foreign denominated revenue when ARPU is presented in the Company's consolidated currency.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

During the fiscal year, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") conducted a review of the design of its disclosure controls and procedures ("DC&P") as well as its internal controls over financial reporting ("ICFR").

DC&P are implemented to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Under the supervision of the CEO and CFO, the Company has evaluated its disclosure controls and procedures as at September 30, 2018 and has concluded that the DC&P are adequately designed and operating effectively.

Internal controls over financial reporting are implemented to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its consolidated financial statements for external purposes in accordance with the Company's accounting framework, IFRS. Under the supervision of the CEO and CFO, the Company conducted a review and evaluation of its ICFR as at September 30, 2018, with the conclusion that the Company's system of ICFR as defined under NI 52-109 is adequately designed and operating effectively.

Related Party Transactions

The Company has entered into lease arrangements for office premises owned by certain executives of previously acquired subsidiary companies. The leases were negotiated at the time of acquisition and represented fair value

rents for the leased premises. Such lease payments amounted to $189 for the year ended September 30, 2018 (2017 – $189). Related party transactions also include compensation earned by key management, comprised of the Company's executive officers and directors. Compensation earned by key management is shown in the following table:

	Three months ended September 30				Twelve months ended September 30			
($ thousands)	**2018 ($)**	2017 ($)	Change ($)	Change (%)	**2018 ($)**	2017 ($)	Change ($)	Change (%)
Salaries, wages and benefits	**730**	417	313	75%	**2,040**	1,727	313	18%
Share-based compensation	**406**	271	135	50%	**1,073**	1,126	(53)	(5%)
Total	**1,136**	688	448	65%	**3,113**	2,853	260	9%

Off-balance Sheet Arrangements

As at September 30, 2018, we do not have any off-balance sheet arrangements, other than operating lease commitments as disclosed in this MD&A.

Subsequent Events

There are no subsequent events to disclose for the Company.

About Forward-looking Information

This MD&A may contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities legislation (collectively, "forward looking information"), including, but not limited to, statements relating to the future financial or operating performance of the Company, future covenant compliance, foreign exchange risks, cash and cash equivalents being adequate to meet financial liabilities and contractual commitments, and key performance indicators. Often, but not always, forward-looking information can be identified by the use of words and phrases such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative 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.

Forward-looking information reflects the Company's beliefs and assumptions based on information available at the time such statements were made. Actual results or events may differ from those predicted in forward-looking information. All of the Company's forward-looking information is qualified by (i) the assumptions that are stated or inherent in such forward-looking information, including the assumptions listed below, and (ii) the risks described in the section entitled "Updates to Risks and Uncertainties" in this MD&A, the financial statements of the Corporation, and the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information" in BSM's most recent annual information form available at www.sedar.com.

Although the Company believes that the assumptions underlying the forward-looking information contained in this MD&A are reasonable, this list is not exhaustive of the factors that may affect any forward-looking information. Forward-looking information involves known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; significant changes in market conditions, the inability of the Company to close sales, and the inability of the Company to successfully and efficiently migrate customers from legacy software platforms.

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 information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any

forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information 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 information.

Further Information

Additional information relating to the Company, including the Company's most recent Annual Information Form, is available on the Company's SEDAR company profile at www.sedar.com and on the Company's website at www.bsmtechnologies.com.