Condensed Interim Consolidated Financial Statements (Unaudited) of

BSM TECHNOLOGIES INC.

Three months ended December 31, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated financial statements of BSM Technologies Inc. have been prepared by and are the responsibility of BSM Technologies Inc.'s management. BSM Technologies Inc.'s independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim consolidated financial statements by an entity's auditor.

BSM TECHNOLOGIES INC.

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Three months ended December 31, 2018 and 2017

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Loss and Comprehensive Income (Loss) – (Unaudited)

In 000s of Canadian Dollars, except share and per share amounts

		Three months ended December 31	
	Note	**2018**	**2017** (restated, see note 3)
Revenue	*4*	**$ 15,669**	$ 15,391
Cost of revenue		**6,586**	6,055
Gross profit		**9,083**	9,336
Operating expenses:			
Research and development		**3,142**	2,983
Sales and marketing		**1,918**	2,128
General and administrative		**2,559**	2,634
Amortization of intangible assets and capital asset depreciation		**1,036**	2,241
Share-based compensation		**262**	390
Acquisition, integration and restructuring expenses		**-**	696
Total operating expenses		**8,917**	11,072
Other expenses (income):			
Foreign exchange gain		**(297)**	(136)
Interest expense		**57**	154
Interest received		**(4)**	(12)
Total other expenses (income)		**(244)**	6
Net income (loss) before taxes		**410**	(1,742)
Current tax expense	*11*	**4**	63
Deferred tax expense	*11*	**491**	203
Net loss for the period		**(85)**	(2,008)
Other comprehensive income (loss):			
Foreign exchange gain (loss) on foreign operations, net of tax		**1,491**	(22)
Total comprehensive income (loss) for the period		**$ 1,406**	$ (2,030)
Loss per share (in $'s)	*5*		
Basic		**$ (0.001)**	$ (0.025)
Diluted		**$ (0.001)**	$ (0.025)
Weighted average number of shares	*5*		
Basic		**79,737,938**	80,902,835
Diluted		**79,737,938**	80,902,835

See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Interim Consolidated Statement of Financial Position – (Unaudited)

In 000s of Canadian Dollars

	Note	**As at December 31, 2018**	**As at September 30, 2018** (restated, see note 3)	**As at October 1, 2017** (restated, see note 3)
Assets				
Current assets:				
Cash and cash equivalents		**$ 5,319**	$ 5,908	$ 8,708
Accounts receivable		**10,495**	11,246	13,995
Inventories		**5,177**	5,031	4,886
Prepaid expenses and other current assets		**1,631**	1,281	1,850
Deferred contract costs	*4*	**8,565**	8,600	8,003
Total current assets		**31,187**	32,066	37,442
Property and equipment	*6*	**1,854**	1,807	1,701
Intangible assets	*6*	**14,090**	14,379	30,421
Deferred contract costs	*4*	**10,384**	11,132	12,092
Other long-term assets		**891**	910	864
Deferred tax asset		**15,459**	15,931	23,402
Goodwill	*7*	**28,481**	27,777	27,361
Total assets		**$ 102,346**	$ 104,002	$ 133,283
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities		**$ 6,353**	$ 6,150	$ 6,870
Provisions	*9*	**1,067**	1,280	1,327
Contingent consideration		**-**	-	8,320
Lease obligations		**293**	294	173
Deferred revenue	*4*	**15,154**	15,925	15,430
Share repurchase commitment	*5*	**230**	493	1,357
Total current liabilities		**23,097**	24,142	33,477
Provisions	*9*	**167**	254	-
Contingent consideration		**-**	-	202
Lease obligations		**185**	239	166
Deferred revenue	*4*	**13,054**	14,316	16,598
Long-term debt	*8*	**225**	1,164	-
Total liabilities		**36,728**	40,115	50,443
Shareholders' equity:				
Common shares	*5*	**83,268**	83,156	83,932
Contributed surplus		**9,992**	9,779	9,763
Deficit		**(29,357)**	(29,272)	(10,420)
Accumulated other comprehensive income (loss)		**1,715**	224	(435)
Total shareholders' equity		**65,618**	63,887	82,840
Total liabilities and shareholders' equity		**$ 102,346**	$ 104,002	$ 133,283

See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Shareholders' Equity – (Unaudited)

In 000s of Canadian Dollars

	Note	Common shares	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance September 30, 2018 (restated, see note 3)		**$ 83,156**	**$ 9,779**	**$ 224**	**$ (29,272)**	**$ 63,887**
Net change in share repurchase commitment	*5*	263	-	-	-	263
Common shares repurchased and cancelled	*5*	(229)	-	-	-	(229)
Share-based compensation expense	*5*	-	291	-	-	291
Options, RSUs or DSUs exercised	*5*	78	(78)	-	-	-
Net loss for the period		-	-	-	(85)	(85)
Foreign exchange gain on foreign operations, net of tax		-	-	1,491	-	1,491
Balance December 31, 2018		**$ 83,268**	**$ 9,992**	**$ 1,715**	**$ (29,357)**	**$ 65,618**
Balance October 1, 2017 (restated, see note 3)		**$ 83,932**	**$ 9,763**	**$ (435)**	**$ (10,420)**	**$ 82,840**
Net change in share repurchase commitment	*5*	374	-	-	-	374
Common shares repurchased and cancelled	*5*	(546)	-	-	-	(546)
Share-based compensation expense	*5*	-	416	-	-	416
Options, RSUs, or DSUs exercised	*5*	602	(505)	-	-	97
Net loss for the period (restated, see note 3)		-	-	-	(2,008)	(2,008)
Foreign exchange loss on foreign operations, net of tax		-	-	(22)	-	(22)
Balance December 31, 2017		**$ 84,362**	**$ 9,674**	**$ (457)**	**$ (12,428)**	**$ 81,151**

See accompanying notes to the condensed interim consolidated financial statements.

BSM TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows – (Unaudited)

In 000s of Canadian Dollars

		Three months ended December 31	
	Note	**2018**	**2017**
Cash provided by (used in):			(restated, see note 3)
Operating activities:			
Net loss for the period		**$ (85)**	$ (2,008)
Items not involving cash:			
Depreciation of capital assets		**211**	294
Amortization of intangible assets		**952**	2,041
Non-cash foreign exchange gain included in net loss		**(253)**	(252)
Deferred tax expense	*11*	**491**	203
Accreted interest on contingent consideration		**-**	40
Share-based compensation expense	*5*	**291**	416
Other non-cash items		**35**	62
Operating cash flow before non-cash operating working capital changes		**1,642**	796
Changes in non-cash operating working capital items	*10*	**(909)**	(1,230)
Net cash provided by (used in) operating activities		**733**	(434)
Investing activities:			
Investment in intangible assets	*6*	**(52)**	(91)
Purchase of capital assets	*6*	**(221)**	(249)
Net cash used in investing activities		**(273)**	(340)
Financing activities:			
Payment of contingent consideration		**-**	(5,921)
Drawdown (repayment) of long-term debt	*8*	**(979)**	5,199
Lease payments		**(82)**	(57)
Options and warrants exercised	*5*	**-**	97
Common shares repurchased and cancelled	*5*	**(229)**	(546)
Net cash used in financing activities		**(1,290)**	(1,228)
Impact of foreign exchange currency revaluation on foreign denominated cash and cash equivalents		**241**	25
Net decrease in cash and cash equivalents during the period		**(589)**	(1,977)
Cash and cash equivalents, beginning of period		**5,908**	8,708
Cash and cash equivalents, end of period		**$ 5,319**	$ 6,731

Cash paid for interest expense		**$ 37**	$ 95
Cash paid for income tax		**4**	60

See accompanying notes to the condensed interim consolidated financial statements.

1. General Information

BSM Technologies Inc., through its subsidiaries (together "BSM" or 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. The Company's headquarters are based in Toronto, Ontario and the Company's common shares are publicly traded on the Toronto Stock Exchange ("TSX: GPS").

These condensed interim consolidated financial statements were authorized for issue by the Company's Board of Directors on February 5, 2019.

2. Basis of Presentation

These condensed interim consolidated financial statements for the three months ended December 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2018, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

Certain amounts disclosed in these condensed interim consolidated financial statements have been reclassified from the amounts previously reported to conform with the current period financial statement presentation. Accrued liabilities are presented together with accounts payable on a single line in the interim consolidated statement of financial position whereas previously, these amounts were reported separately. Amortization of intangible assets and depreciation of capital assets as well as share-based compensation expenses are disclosed separately as individual line items in the interim consolidated statement of loss. Previously, these amounts were reported within the operating functional expenses based on the nature of such items (i.e. within research and development, general and administrative, and sales and marketing expenses).

These condensed interim consolidated financial statements are presented in thousands of Canadian dollars.

3. Significant Accounting Policies

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those disclosed in note 3 of the Company's annual consolidated financial statements for the year ended September 30, 2018, with the exception of the adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* which were adopted on October 1, 2018. The adoption impact of these new accounting standards is further explained in this note as well as throughout these condensed interim consolidated financial statements.

In preparing these condensed interim consolidated financial statements, the Company is required to make estimates and assumptions to determine the carrying amount of assets and liabilities reported. The significant areas requiring estimates and assumptions in determining the reported amounts relate to: the average expected contract renewal rate in contracts with customers, the allocation of revenue between performance obligations; the recoverable amount of goodwill; the valuation of the Company's warranty obligation; and, the recoverability of the Company's deferred tax asset recognized in the financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which establishes a single comprehensive principles-based model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and the timing of when it is recognized. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. This standard replaces IAS 18, *Revenue*, which covers contracts for goods and services and IAS 11, *Construction Contracts*, which covers revenue from construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, replacing the prior notion of the transfer of risks and rewards of ownership. The standard requires revenue to be recognized in a manner that depicts the transfer of goods and services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. The standard sets out a five-step framework to complete this evaluation as follows:

1) identify the contract with a customer;
2) identify the performance obligations in the contract;
3) determine the transaction price;
4) allocate the transaction price to the performance obligations in the contract; and
5) recognize revenue when (or as) the entity satisfies a performance obligation

The application of the new standard has a significant impact on the timing and recognition of revenue and the treatment of associated costs as compared to the Company's historically reported results. Through our IFRS 15 accounting policy evaluation, the Company has concluded that its hardware products and subscription services represent a bundle of goods and services which comprise a single performance obligation. Our customers receive value from our products and services over time, as they consume the subscription services for access and use of the Company's software platform, which includes the telematics data generated, collected and transmitted from hardware devices. Accordingly, the consideration associated with hardware product deliverables is recognized as revenue over time, on a consistent basis with the related software subscription services. Historically, the Company has accounted for revenue from hardware products separately from subscription services revenue. Under our prior accounting policy in accordance with IAS 18, hardware revenue was recognized at the time that title of such products passed to the customer, which is generally at the time of shipping.

Hardware revenue was previously recognized when hardware devices were sold pursuant to a leasing arrangement. Specifically, a lease finance receivable was recorded as an asset for the present value of the future lease payments with a corresponding increase to hardware revenue. In accordance with the Company's adoption of IFRS 15, hardware revenue is recognized rateably over time as opposed to at the time when title passes. As a result, the present value of future lease payments is no longer recognized on the interim consolidated statement of financial position and revenue from lease payments for hardware devices is recognized over the term of the contract, which is generally aligned to the timing of when lease payments are received.

The recognition of revenue and related costs of revenue over the contract life may be different from the time which customers are invoiced and the time that the Company incurs costs to fulfill its contract obligations. These timing differences result in the recognition of deferred revenue or deferred contract costs in the Company's statements of financial position. The Company has recognized significant balances of deferred revenue and deferred contract costs for these timing difference as of the date of adoption. Despite the impact of IFRS 15 adoption on the timing of revenue recognition, the application of the standard does not affect our cash flows from operations, or the methods or underlying economics through which we transact with customers.

IFRS 15 also provides guidance with respect to the treatment of contract acquisition costs and contract fulfilment costs. This includes sales commissions which are generally expected to be capitalized and then recognized as a cost over the period that the related performance obligations are satisfied. Under the Company's sales commission plan, commissions are earned and payable upfront at the inception of a sales contract with a customer. Accordingly, sales commission costs are capitalized and amortized into the results of operations over the term of the related contract. Historically, the Company has expensed commission as paid and earned, up front at the time a contract is booked. The impact of accounting for sales commissions on a deferred basis as opposed to upfront did not have a significant impact of the Company's results from operations. The unamortized balance of deferred sales commissions is recorded within other assets in the interim consolidated statement of financial position.

In 000s of Canadian Dollars

The Company has applied the full retrospective approach to adoption of IFRS 15 given the significant impact on its operating results as compared to its historically reported results. As a result, all comparative information in these condensed interim consolidated financial statements has been prepared as if IFRS 15 had been in effect since October 1, 2017. Specifically, the results of operations for the three months ended December 31, 2017 and the interim consolidated statement of financial position as at October 1, 2017 and September 30, 2018 have been adjusted from the amounts previously reported under the Company's prior accounting policies, to be prepared in accordance with the accounting policies described herein.

Reconciliation of interim consolidated statements of loss and comprehensive income (loss) for the three months ended December 31, 2017

Below is the transitional effect of the adoption of IFRS 15 on our interim consolidated statements of income (loss) and comprehensive income (loss) for the three months ended December 31, 2017.

		Three months ended December 31, 2017	
	As previously reported	**Adjustments**	**Restated**
Revenue (i)	$ 14,906	$ 485	$ 15,391
Cost of revenue (iii)	5,952	103	6,055
Gross profit	8,954	382	9,336
Interest income from finance leases (ii)	63	(63)	-
Operating expenses:			
Research and development	2,983	-	2,983
Sales and marketing (iv)	2,119	9	2,128
General and administrative	2,634	-	2,634
Amortization of intangible assets and capital asset depreciation	2,241	-	2,241
Share-based compensation	390	-	390
Acquisition, integration and restructuring expenses	696	-	696
Total operating expenses	11,063	9	11,072
Other expenses (income):			
Foreign exchange gain	(136)	-	(136)
Interest expense	154	-	154
Interest received	(12)	-	(12)
Total other expenses	6	-	6
Net loss before taxes	(2,052)	310	(1,742)
Current tax expense	63	-	63
Deferred tax expense	121	82	203
Net loss for the period	(2,236)	228	(2,008)
Other comprehensive loss:			
Foreign exchange loss on foreign operations, net of tax	(22)	-	(22)
Total comprehensive loss for the period	$ (2,258)	$ 228	$ (2,030)
Earnings (losses) per share (in $'s)			
Basic	$ (0.028)	$ 0.003	$ (0.025)
Diluted	$ (0.028)	$ 0.003	$ (0.025)
Weighted average number of shares			
Basic	80,902,835	80,902,835	80,902,835
Diluted	80,902,835	80,902,835	80,902,835

In 000s of Canadian Dollars

Reconciliation of interim consolidated statements of financial position as at October 1, 2017 and September 30, 2018

Below is the transitional effect of the adoption of IFRS 15 on our interim consolidated statements of financial position as at October 1, 2017 and September 30, 2018.

	As at September 30, 2018			**As at October 1, 2017**		
	As previously reported	**Adjustments**	**Restated**	**As previously reported**	**Adjustments**	**Restated**
Assets						
Current assets:						
Cash and cash equivalents	$ 5,908	$ -	$ 5,908	$ 8,708	$ -	$ 8,708
Accounts receivable	11,246	-	11,246	13,995	-	13,995
Inventories	5,031	-	5,031	4,886	-	4,886
Investment in finance leases (ii)	1,218	(1,218)	-	1,464	(1,464)	-
Prepaid expenses and other current assets (iv)	657	624	1,281	1,326	524	1,850
Deferred contract costs (iii)	-	8,600	8,600	-	8,003	8,003
Total current assets	24,060	8,006	32,066	30,379	7,063	37,442
Property and equipment	1,807	-	1,807	1,701	-	1,701
Intangible assets	14,379	-	14,379	30,421	-	30,421
Investment in finance leases (ii)	989	(989)	-	1,232	(1,232)	-
Deferred contract costs (iii)	-	11,132	11,132	-	12,092	12,092
Other long-term assets (iv)	-	910	910	-	864	864
Deferred tax asset	14,306	1,625	15,931	21,346	2,056	23,402
Goodwill	27,777	-	27,777	27,361	-	27,361
Total assets	$ 83,318	$ 20,684	$ 104,002	$112,440	$ 20,843	$ 133,283
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	$ 6,150	$ -	$ 6,150	$ 6,870	$ -	$ 6,870
Provisions	1,280	-	1,280	1,327	-	1,327
Contingent consideration	-	-	-	8,320	-	8,320
Lease obligations	294	-	294	173	-	173
Deferred revenue (i)	5,011	10,914	15,925	5,431	9,999	15,430
Share repurchase commitment	493	-	493	1,357	-	1,357
Total current liabilities	13,228	10,914	24,142	23,478	9,999	33,477
Provisions	254	-	254	-	-	-
Contingent consideration	-	-	-	202	-	202
Lease obligations	239	-	239	166	-	166
Deferred revenue (i)	-	14,316	14,316	-	16,598	16,598
Long-term debt	1,164	-	1,164	-	-	-
Total liabilities	14,885	25,230	40,115	23,846	26,597	50,443
Shareholders' equity:						
Common shares	83,156	-	83,156	83,932	-	83,932
Contributed surplus	9,779	-	9,779	9,763	-	9,763
Deficit	(24,726)	(4,546)	(29,272)	(4,666)	(5,754)	(10,420)
Accumulated other comprehensive income	224	-	224	(435)	-	(435)
Total shareholders' equity	68,433	(4,546)	63,887	88,594	(5,754)	82,840
Total liabilities and shareholders' equity	$ 83,318	$ 20,684	$ 104,002	$ 112,440	$ 20,843	$ 133,283

(i) The adjustment to deferred revenue represents the unearned portion of revenue which has been invoiced to customers. The deferred revenue adjustment reflects the advanced billing of hardware products at the time such products are shipped to the customer relative to the recognition of revenue over time. The adjustment to revenue in the interim consolidated statement of loss represents the difference between accounting for revenue associated with hardware products at the time of shipping as compared to a deferred basis, rateably over time.

(ii) On adoption of IFRS 15, the balance of investment in finance leases receivable has been de-recognized on the interim consolidated statement of financial position. Under the Company's application of the new standard, payments for hardware leases are received over time, which is generally aligned to the contract term and the revenue recognition period. Within the interim consolidated statement of loss, an adjustment has been recorded to de-recognize the implied interest that was previously recorded on finance leases.

In 000s of Canadian Dollars

(iii) The deferred contract costs asset represents the unamortized balance of product costs that are incurred when hardware devices are released from inventory and shipped to customers, at the inception of a contract. These costs are capitalized and amortized to costs of revenue evenly over time as the related performance obligation is satisfied. The adjustment to cost of revenue in the interim consolidated statement of loss represents the difference between accounting for the hardware costs on an up-front basis at the time of shipping as compared to a deferred basis, rateably over time.

(iv) The adjustment to other assets reflects the balance of deferred commission expenses. Commissions which are earned and paid at the inception of a contract are recognized as a deferred asset in the interim consolidated statement of financial position when incurred and are amortized to sales and marketing expenses over time, as the related revenue is recognized. The adjustment to sales and marketing expenses in the interim consolidated statement of loss represents the difference between accounting for commission expenses on a cost incurred basis as opposed to a deferred basis, rateably over time.

Reconciliation of IFRS 15 adoption impact on deficit balance as at October 1, 2017 and September 30, 2018

	As at September 30, 2018	As at October 1, 2017
Deficit balance, as originally stated under historical accounting policy	**$ (24,726)**	**$ (4,666)**
Recognition of deferred revenue for hardware products invoiced in advance of revenue recognition	25,230	26,597
Recognition of deferred contract costs for unamortized hardware costs of revenue	(19,732)	(20,095)
De-recognition of finance lease receivable	2,207	2,696
Recognition of deferred commission asset (recorded within other assets)	(1,534)	(1,388)
Increase to deferred tax assets for temporary differences related to IFRS 15 adjustments	(1,625)	(2,056)
Deficit balance under IFRS 15 accounting policy	**$ (29,272)**	**$ (10,420)**

IFRS 9 – Financial Instruments

Effective October 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, in replacement of IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance to the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets. The adoption of IFRS 9 did not have a significant impact on our reported results, accordingly prior period amounts did not require restatement and we have adopted the standard on a prospective basis as of October 1, 2018.

IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics; and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 did not change the measurement bases of our financial assets.

- Cash and cash equivalents are measured at FVTPL under both standards
- Trade and other receivables continue to be measured at amortized cost under IFRS 9

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. Application of IFRS 9 and the application of the ECL model has not had a significant impact on the carrying amounts of our financial assets under IFRS 9. Amounts considered uncollectible through applying the ECL model are written off and recognized as a bad debt expense within general and administrative expenses on the consolidated statement of loss.

4. Revenue

The Company derives revenue from the sale of:

- Vehicle and fixed asset tracking hardware products;
- Professional services associated with installation, training, project management fees and for the customization or integration of its products; and
- Subscription fees which are derived through providing data and software solutions via its software platform.

The Company enters into contracts with customer for the delivery of its products and services. We account for revenue from the sale of products and services using the following five step framework.

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation

Performance obligations are determined to be distinct when: a) the customer can benefit from the good or service either on its own or together with other resources readily available to the customer, and b) the entities' promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Hardware is typically sold with subscription fees; we have concluded that hardware products and subscription services represent a bundle of goods and services which comprise a single performance obligation. Our customers receive the value from the hardware products and subscription services over time, as they consume the subscription services for access and use of the Company's software platform, which includes telematics data generated from hardware devices. Accordingly, the consideration associated with hardware product deliverables is recognized as revenue over time, on a consistent basis with the related software subscription services.

We have determined professional services (including installation, training, project management services, the customization and integration of products with other systems, and other one-time services) to be distinct performance obligations. These services are selected at the customers option and are not pre-requisite to the customer obtaining a benefit from its hardware and software technology solutions. Revenue from professional services is recognized evenly over time, as the services are performed.

In contracts where both hardware and subscription fees are sold together, the contractual amounts for these products and services are recognized on a straight-line basis as the performance obligations are satisfied over the contract term. The consideration from contracts includes hardware and subscription fees from the initial term (which typically ranges from 12 – 36 months, or longer) and subscription fees for any assumed renewal term, based on a history of customers renewal rates. As a practical expedient, the Company has applied a portfolio approach in determining the expected contract renewal term to account for revenue from contracts with customers. Customers typically buy products from the Company through a series of contracts, based on the number of assets they track and as they deploy the Company's solution to their fleet over time. As a result, the Company has a high volume of contracts which are similar in nature throughout the Company's customer base. In the Company's judgment, the impact of applying a portfolio approach to account for the expected renewal term of revenue contracts is not expected to have a materially different impact as compared to accounting for contracts individually.

In 000s of Canadian Dollars

Cost of revenue includes the costs of purchasing and assembling finished goods inventory and the direct costs of providing one-time professional services and subscription services. These costs include: inventory and manufacturing related costs; amortization of capital assets associated with manufacturing equipment; labour associated with providing professional services; labour associated with ongoing customer support services, database infrastructure costs associated with providing SaaS solutions; and, ongoing data costs to facilitate the connectivity of hardware devices to the Company's software portals.

The Company applies estimates and assumptions and significant judgements to account for revenue under IFRS 15 including the following:

- Judgments are used to determine whether certain goods and services represent a distinct or combined performance obligations under the IFRS 15 framework.
- Estimates and assumption are used to determine the contract term for revenue recognition which includes assumed renewal terms based on a history of contract renewals with customers. We monitor the average expected life of hardware devices on a portfolio basis to assist with the determination of the average expected contract duration.
- We use estimates and assumptions to determine the stand-alone selling price of professional services as compared to hardware and subscription fees and the allocation of the transaction price between performance obligations. We use inputs including our standard pricing, market pricing observations and the transaction price for similar products and services sold across the Company's customer base to determine the allocation of consideration.

Deferred Revenue

Deferred revenue represents the unearned portion of invoiced revenue and cash collected. This liability arises with respect to the advanced billing of products and services relative to the period in which the related performance obligations are satisfied.

		For the three months ended
	December 31, 2018	**December 31, 2017**
Balance, beginning of period	$ 30,241	$ 32,028
Additions from items billed in advance of revenue recognition	1,747	2,500
Recognition of deferred contract revenue from satisfied performance obligations	(3,780)	(4,025)
Balance, end of period	**$ 28,208**	**$ 30,503**

Deferred Contract Costs

Deferred contract costs represent the costs associated with providing hardware devices which are typically incurred when released from inventory and shipped to the customer at the inception of a contract. Deferred contract costs are amortized to cost of revenue over time as the related performance obligation is satisfied. The balance of deferred contract costs represents the unamortized portion of hardware device costs.

		For the three months ended
	December 31, 2018	**December 31, 2017**
Balance, beginning of period	$ 19,732	$ 20,095
Additions from hardware costs incurred in advance	1,567	2,140
Recognition of deferred contract costs from satisfied performance obligations	(2,350)	(2,241)
Balance, end of period	**$ 18,949**	**$ 19,994**

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Disaggregation of Revenue

Disaggregation of revenue by product and services types is as follows. The amounts presented are based on the amounts associated with the respective products and services which were recognized as revenue in the periods.

		For the three months ended
	December 31, 2018	**December 31, 2017**
Hardware products	$ 3,349	$ 3,271
Subscription services	11,364	11,251
Professional services	956	869
Total Revenue	$ 15,669	$ 15,391

5. Share Capital and Share Based Compensation

a) Common shares:
Authorized: Unlimited common shares (no par value)

	December 31, 2018		**December 31, 2017**	
	Number	**Amount**	**Number**	**Amount**
Issued and outstanding:				
Balance, beginning of period excluding shares to be issued subject to future performance	**79,784,218**	**$ 83,156**	80,944,910	$ 83,932
Shares issued for options exercised	**30,718**	**18**	204,201	210
Shares issued for RSUs vested	**96,500**	**60**	322,759	392
Shares repurchased and cancelled (i)	**(275,500)**	**(229)**	(443,270)	(546)
Net change in share repurchase commitment (i)	**-**	**263**	-	374
Balance, excluding shares to be issued subject to future performance	**79,635,936**	**$ 83,268**	81,028,600	$ 84,362
Shares issued in escrow:				
subject to Company's performance	-	-	54,795	-
subject to earn-out clause - JMM	699,575	-	699,575	-
subject to earn-out clause - Praxis	500,000	-	500,000	-
Balance of issued shares, end of period	**80,835,511**	**$ 83,268**	82,282,970	$ 84,362

(i) On December 20, 2018, the Company obtained approval for its intention to commence a normal course issuer bid (the "Bid"). Under the terms of the Bid, the Company may acquire up to 5,301,709 common shares from time to time in accordance with TSX procedures, representing approximately 10% of the total public float of common shares. The Bid commenced on December 27, 2018 and will conclude on December 26, 2019, or earlier if the number of common shares sought in the Bid have been purchased. Other than purchases made in compliance with the provisions of the block purchase exemption of the TSX, daily purchases under the Bid will be limited to a maximum of 11,686 common shares which represents 25% of the average daily trading volume on the TSX for the period from June 1, 2018 to November 30, 2018.

From time to time, the Company may make purchases under the Bid via an automatic securities repurchase plan (the "Plan") through which the timing for the purchase of common shares, the number of common shares purchased and the price payable for the common shares will be determined by the Company's broker, in its sole discretion. Such purchases are subject to a prescribed maximum price payable having regard to the price limitations and other terms of the Plan and the rules of the TSX. As at December 31, 2018, the Company had a

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Plan in place with its broker. Given the automatic nature of the Plan, the Company has recognized a share repurchase liability of $230 in the interim consolidated statement of financial position. The share repurchase liability has been recorded at the maximum purchase exposure under the Plan during the period of January 2, 2019 through February 7, 2019 which is the period the Company anticipates being prohibited from cancelling or making amendments to the Plan due to TSX "blackout" restrictions.

During the three months ended December 31, 2018, the Company repurchased and cancelled 275,500 common shares in accordance with the Bid or a previous normal course issuer bid (2017 – 443,270).

b) Preferred shares:

The Company authorized an unlimited number of first preferred shares and second preferred shares, all without par value. The terms allow the Company's directors to issue shares in one or more series and to set the number and the conditions for each series. There were no first preferred shares or second preferred shares issued and outstanding as at December 31, 2018.

The first preferred shares of all series rank on a parity with each other and in priority to all other shares of the Company with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BSM.

c) Stock options:

A summary of the Company's stock options for the three months ended December 31, 2018 and 2017 is presented below:

	December 31, 2018		**December 31, 2017**	
	Number of Options	**Weighted average exercise price**	**Number of Options**	**Weighted average exercise price**
Balance, beginning of period	**2,182,070**	**$ 1.45**	2,708,195	$ 1.36
Issued	**1,050,000**	**0.69**	-	-
Exercised	**(30,718)**	**0.43**	(204,201)	0.47
Cancelled	-	-	(35,640)	1.46
Forfeited	-	-	(333,333)	1.27
Expired	**(28,876)**	**0.50**	-	-
Balance, end of period	**3,172,476**	**$ 1.22**	2,135,021	$ 1.45

The following table summarizes information about stock options outstanding as at December 31, 2018:

Exercise price	**Number Outstanding**	**Weighted average remaining contractual life (years)**
$0.00 - $0.50	55,536	0.92
$0.51 - $1.00	1,136,940	4.64
$1.01 - $1.50	1,650,000	3.80
$2.01 - $2.50	65,000	0.43
$3.00 - $3.50	265,000	0.02
Balance, end of period	3,172,476	3.66

As at December 31, 2018, 939,143 stock options were exercisable (2017 – 1,462,749).

During the three months ended December 31, 2018, the Company granted 1,050,000 stock options to officers and employees of the Company (2017 – nil). Each stock option represents an option to purchase one common share. The terms and conditions of the stock options are consistent with the Company's stock option plan where such options vest after a three-year period following the date of the grant. Share-based compensation expense for the vesting of stock options of $85 was recognized in the three months ended December 31, 2018 (2017 – $48).

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d) Restricted share units ("RSUs") and Deferred share units ("DSUs"):

During the three months ended December 31, 2018, the Company granted 442,000 RSUs to employees pursuant to the Company's Restricted Share Unit Plan (2017 – 613,925). Each RSU represents the right for the holder to be issued one common share pursuant to vesting conditions over three years. The fair value of RSUs granted was $0.75 per RSU (2017 - $1.28 per RSU), which was the closing price of the Company's common shares on each of the respective grant dates in the period. Share based compensation expense of $140 was recognized in the three months ended December 31, 2018 related to the vesting of RSUs (2017 - $309).

The following is a continuity of the Company's RSUs for the three months ended December 31, 2018:

	December 31, 2018	December 31, 2017
Balance, beginning of period	**1,606,997**	2,660,653
Issued	**442,000**	613,925
Settled in common shares	**(96,500)**	(322,759)
Cancelled	**(15,000)**	-
Forfeited	-	(272,977)
Balance, end of period	**1,937,497**	2,678,842

During the three months ended December 31, 2018, the Company granted 96,232 DSUs to directors of the Company pursuant to the Company's Deferred Share Unit Plan (2017 – 46,485). Each DSU represents the right for the holder to be issued one common share and vest upon grant; however, is not exchangeable for a common share until the holder ceases to be a director of the Company. The fair value of DSUs granted was $0.69 per DSU (2017 - $1.28 per DSU), which was the closing price on the date of grant. Share-based compensation expense of $66 was recognized in the three months ended December 31, 2018 related to the vesting of DSUs (2017 - $59).

The following is a continuity of the Company's DSUs for the three months ended December 31, 2018:

	December 31, 2018	December 31, 2017
Balance, beginning of period	**610,346**	409,740
Issued	**96,232**	46,485
Settled in common shares	**-**	-
Balance, end of period	**706,578**	456,225

e) Loss per share:

The effects of any shares issued in escrow that are subject to performance conditions are not included in the calculation of the weighted average number of common shares outstanding on a diluted basis as they are not expected to have a dilutive impact on earnings per share. Shares released from escrow upon meeting contingent requirements are included in the calculation of basic weighted average number of shares outstanding. The calculation of the diluted weighted average number of common shares outstanding does not include stock options that are not expected to be exercised given their negative intrinsic value and includes vested DSUs which are exchangeable for common shares.

In 000s of Canadian Dollars

	For the three months ended December 31	
	2018	**2017**
Weighted average number of shares – basic	**79,737,938**	80,902,835
Dilutive effect of stock options and DSUs	**-**	-
Weighted average number of shares – diluted	**79,737,938**	80,902,835

6. Capital Assets and Intangible Assets

Capital asset and intangible asset additions for the three months ended December 31, 2018 amounted to $273 (2017 - $524). which was primarily to fund the purchase of servers and general computer equipment.

7. Goodwill

The Company performs its impairment test for its sole CGU containing goodwill at each fiscal year end. The Company has not identified any goodwill impairments during the three months ended December 31, 2018. The Company's assessment could be impacted by a change in market factors or a change in management's estimate of forecasted financial performance. Reasonably possible changes in key estimates and assumptions would not cause the recoverable amount of goodwill to fall below the carrying amount.

The following is a summary of the Company's goodwill for the three months ended December 31, 2018:

Balance at September 30, 2018	$ 27,777
Foreign exchange revaluation	704
Balance at December 31, 2018	**$ 28,481**

8. Long-Term Debt

The Company holds a $20 million revolving credit facility ("Revolver") with the Toronto Dominion Bank. During the three months ended December 31, 2018, the Company incurred interest expense of $26 which was accrued to the outstanding balance on the Revolver (2017 - $71). The Company may draw on the Revolver in either US dollars or Canadian dollars and as at December 31, 2018, the Company had CAD$370 drawn against the Revolver (2017 – US$3,940). Fees incurred in connection with the establishment of the revolving credit facility are deferred and amortized into income over the term of the credit facility. The unamortized balance of fees is presented net of the outstanding revolver balance in the interim consolidated statement of financial position.

As at December 31, 2018, the Company had not drawn upon any letters of credit, which have been issued in the maximum amount of $318 for performance guarantees to customers.

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

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9. Provisions

The following table provides a roll forward of items, which comprise both the current and long-term portion of provisions on the consolidated statements of financial position.

	Warranty	Restructuring	Legal	Total
As at September 30, 2018	$ 560	$ 934	$ 40	$ 1,534
Provisions utilized during the period	(15)	(285)	-	(300)
As at December 31, 2018	**$ 545**	**$ 649**	**$ 40**	**$ 1,234**

10. Change in Non-Cash Operating Working Capital

	Three months ended December 31	
	2018	**2017**
Accounts receivable	**$ 1,123**	$ 1,191
Inventories	**(22)**	(297)
Prepaid expenses and other assets (including long-term portion)	**(311)**	(310)
Accounts payable and accrued liabilities	**70**	(574)
Provisions (including long-term portion)	**(300)**	184
Deferred contract costs (including long-term portion)	**783**	101
Deferred revenue (including long-term portion)	**(2,252)**	(1,525)
Total	**$ (909)**	$ (1,230)

11. Income Tax

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full fiscal year. The tax rate used represents management's estimate of the weighted average tax rate expected to be applicable on taxable income in the period. Current tax expense was $4 and deferred tax expense was $491 for the three months ended December 31, 2018 (2017 – current tax expense of $63 and deferred tax expense of $203).

12. Subsequent Events

There are no subsequent events to disclose for the Company.

13. New Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for adoption for reporting periods beginning on October 1, 2018 and have not been early adopted by the Company. The Company has not yet fully assessed the impact of these new standards and amendments or whether these standards and amendments will be early adopted.

i) IFRS 16, Leases. On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019 and earlier application is permitted. Under the new standard, all leases will be recorded on the balance sheet of lessees, except those that meet the limited exception criteria. As the Company has significant contractual obligations in the form of operating leases under the existing standards, there will be a material increase to both assets and liabilities upon adoption of the new standard, and changes to the timing of recognition of expenses associated with the lease arrangements, which could be material. The Company is evaluating the impact of this standard on its consolidated financial statements.

ii) IFRIC 23, Uncertainty over Income Tax Treatments. In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the Company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The Company is evaluating the impact of this standard on its consolidated financial statements.