

BSM TECHNOLOGIES INC.

Management Discussion and Analysis

For the year ended September 30, 2008 and 2007

Restated

This document is dated August 13, 2009

This discussion and analysis of operating results and financial position of the company should be read in conjunction with our audited financial statements for the year ended September 30, 2008 and 2007 and the related notes herein, which are prepared in accordance with Canadian generally accepted accounting principles.

1 Corporate overview:

BSM Technologies Inc. (“BSM” or the “Company”) trades on The TSX Venture Exchange under the symbol GPS. BSM offers location-based services from its Canadian office in Woodbridge, Ontario and its Belgium office in Antwerp.

2 Core business, vision and strategy:

2.1 Core Business

The Company operates as a wireless Internet applications service provider specializing in Telematics. Telematics involves all elements of the wireless transfer of information and control messages to and from moving machines. This category of product and service is also referred to as “M2M” – or machine to machine (wireless) communication. The Company delivers proven, highly secure and cost-effective, telematics solutions for monitoring commercial, law enforcement, armored vehicle, government, and other high-risk and high-value assets and fleets. The Company’s products give fleet managers a wealth of information about their vehicles, including real-time vehicle location, boundary notification, automated inventory, maintenance reminders, security alerts and remote vehicle disabling.

The Company offers cost effective, highly secure end-to-end wireless solution which allows customers to manage mobile assets. Combining the power and economics of multiple proven technologies, BSM offers them as one easy-to-use solution. By integrating the Global Positioning System (“GPS”), Wireless Cellular Networks, Digitized Mapping databases, elements of Artificial Intelligence and connectivity / content offered by the Internet, BSM is able to offer a broad suite of services to a diverse set of customers. BSM’s proprietary software and customizable hardware product, offers seamless, wireless communications over radio, cellular or satellite networks and geo-fencing.

The Company’s solutions provide fleet managers with real-time, covert sensory knowledge designed to monitor and clearly report on unauthorized entry, trip deviations, and driver behavior. This detailed, evidentiary knowledge materially reduces incidences of theft and hijacking, which delivers fleet efficiencies. In addition BSM’s solutions are designed to allow customers to improve productivity by enabling the effective management of the activities of their mobile workers and assets and allow customers to increase the utility of their mobile resources and decrease costs of operations by facilitating business processes, such as event confirmation, signature verification, and form processing while their workers are in the field. The Company’s services also provide location, reporting, dispatch, messaging, and other management services and are designed to be easy to implement and use. The Company believes its services provide significant value to its customers by decreasing the costs and increasing the efficiency

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of their operations. The Company's customers can manage their mobile resources in several ways: self-hosting the application on their private networks, or, by logging onto our website -Application Service Provider ("ASP").

The Company offers its services on GPRS, 1xRTT, and satellite (Inmarsat D+ and Iridium).

The Company's services provide electronic dispatch, alarm notification, current and historical data relating to a customer mobile resource in a variety of formats, including activity reports and maps. The Company provides these formats in a standard configuration, but customers can configure certain elements and views themselves to help achieve compliance with their internal business needs.

The Company has built its Telematics solutions around a common hardware platform. The Company's hardware platform in a single form factor but with multiple versions of firmware addresses an array of industry vertical markets from consumer anti theft tracking to a high risk/value cargo (armoured car). The Company believes that by developing and re-using a single robust and configurable underlying service infrastructure investment for multiple markets, it will achieve the leverage that is necessary to offer a wide range of high-value services while minimizing internal cost.

The worldwide demand for wireless vehicle services is increasing; according to June 2006 report by consulting firm Global Industry Analysts, the market for commercial Telematics in U.S alone is to grow annually at almost 20% until 2010. According to December 2005 report from C.J. Driscoll and Associates a consulting firm specializing in GPS and wireless technologies, there are more than 20 million vehicles in the USA, of which only 1.5 to 2 million vehicles have GPS tracking systems installed.

2.2 Vision and strategy

BSM' strategic intent, or vision, is to be a diversified provider of innovative fleet management and security solutions internationally. The Company' strategy for growth is to focus on its core telematic business. To execute this mission the company, on February 1 2007, acquired SecTrack allowing the Company to expand market presence and distribution channels worldwide

The Company continues to be guided by its four long-standing strategic imperatives that guide the Company's actions, which generate the financial results of the Company. Activities that supported the Company's four strategic imperatives include the following:

2.2. a Building integrated solutions that differentiate BSM from its competitor's

BSM conducts research and development activities related to its hardware, firmware and software. The hardware and firmware form part of an embedded system which is equipped in a vehicle and interfaces to server infrastructure. The research and development include schematic capture, PCB design and manufacture, firmware programming, compiling and deployment activities, software programming &

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infrastructure deployment. By conducting its own research and development activities, BSM has been able to retain complete ownership of its end-to-end solution.

BSM's research and development activities are focused on the following:

- Facilitating expansion of services that offer strategic differentiation and add value to customer businesses
- Innovating to maintain the lowest entry cost solution without sacrificing quality.
- Maintaining a wireless network neutral architecture.

Onboard Unit Application Strategy: The objectives for the Company's Onboard Unit Application Strategy include:

- Ability to adapt existing features with optimization of performance
- Simplification through over-the-air ("OTA") upgrades/additions of customer features
- Ensuring platforms are consistent with industry standards
- Addressing of needs unique to larger customers and facilitating more rapid entry into new markets.

BSM has invested heavily in new product and application development as well as in infrastructure build-out to support scalability. Addressing the complex and diverse needs of the commercial fleet market, BSM has released many new products and equipment configuration options.

In the ongoing effort to enhance the market offering by the company, effective December 24, 2007 BSM acquired all the outstanding shares of Netistix Technologies Corporation ("Netistix"), an Ottawa based Company.

Netistix's in-house developed hardware provides a universal interface to cars, light duty trucks, large trucks, and heavy equipment. By implementing the SAE standards for OBDII, J1708 and J1939, Netistix devised an algorithm utilizing data that is available to extrapolate the amount of fuel consumed.

In exchange, the Company issued 7,142,857 common shares of the Company, valued at \$1,000,000. The legal expenses related to this acquisition were \$63,202.

2.2. b Focussing on key select market segments

In 2007 BSM started to "productize" its offering around the distinct requirements of specific market segments. BSM's market penetration strategy is to initially focus on selected market segments. BSM plans on solidifying market leadership positions in these segments based on superior products

2.2. c Building international distribution capabilities

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To execute this mission, effective January 31, 2007 BSM acquired all the outstanding shares of Sectrack NV, based in Antwerp, Belgium. Sectrack has an international market focus, distributing satellite telematics products throughout Europe, Asia, Africa, Central and South America. Sectrack generates revenue from the sale of satellite telematics products and Network services fees to its network of international value added resellers (“VARs”).

The acquisition of Sectrack underlies BSM’s strategy to leverage Sectrack’s network of VARs for the international launch of BSM’s products and services, while at the same time maintaining and growing the sales of existing product and services of Sectrack. The Company’s goal is to provide a diversified suite for the international Telematics market, including hardware, network services (satellite and cellular) and a turnkey end to end solution.

On closing, the company delivered cash of Euro 1,600,000 (CAD \$ 2,453,600), of which Euro 300,000 (CAD \$ 460,050) is held in escrow by the Belgium based escrow agents (the “Escrowed funds”). The release of the Escrowed funds was subject to Sectrack achieving certain revenue and earning targets (“the contingencies”) in the twelve months following the acquisition of Sectrack by BSM.

It is the Company’s contention that SecTrack did not achieve the required revenue and earnings targets as specified in the purchase agreement and therefore the escrowed funds should not to be released to the vendor but should be returned to the Company. It is the vendor’s contention that the targets were met. As of the date of this report the resolution of this disagreement is subject to arbitration in Belgium (as required under the original purchase agreement). The Company expects a decision from the arbitrator in February 2009. The Company’s only exposure in this arbitration is the Euro 300,000 (\$460,500 Cdn) which the Company has already provided. Should the Company be successful adjustments will be required to the purchase price and carrying amount of goodwill.

2.2. d Investing in internal capabilities to build a high-performance culture and efficient operations

BSM’ operating efficiency initiatives fall into two broad categories: outsourcing of non-core work; and process improvement and automation.

With respect to outsourcing, currently components for all BSM products such as modems, printed circuit boards, cases and other items are produced or purchased from outside sub-contractors or vendors, with final assembly, testing and shipping done by BSM staff. As volumes grow final assembly will be outsourced to outside suppliers.

In the area of process improvement and automation, BSM continues to focus on streamlining functional area processes.

3 Capability to deliver results

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BSM operates in a highly competitive environment. BSM has competitively positioned itself with an end-to-end internet-based system that provides a variety of services as opposed to having a single service offering. BSM has built an open platform that permits the addition of other mobility applications and allows for customization which management believes is critical to penetrate various vertical market segments and provide wireless data services beyond tracking. BSM's customers choose BSM's services primarily on the basis of service reputation, solution functionality, ease of use, system performance, geographic coverage of BSM's services.

The Company believes that its solution is well-positioned to continue to compete successfully in its markets due to the following factors:

- **Broad Service Coverage:** BSM offers its services on GPRS, 1xRTT, and satellite (Inmarsat D+ and Iridium). BSM's multi-mode communications platform which integrates both digital cellular and satellite communications enables real-time, high-speed data transmission with ubiquitous coverage. This approach permits the most future proofed, global terrestrial coverage options for vehicles that frequently travel beyond urban boundaries.
- **Scalability:** BSM OnLine™ was designed with growth in mind. As more customers are added, the capacity of BSM OnLine™ is easily expanded through simple expansion of hardware.
- **Accessibility and Reliability:** BSM OnLine™ is a Web-based solution that was designed with bandwidth and ease of access in mind. Web-connectivity is continually monitored for interruption in order to maintain high serviceability. Customers can access BSM OnLine™ services from anywhere through the Internet.
- **Security:** BSM OnLine™ provides its services in a secure environment and is protected physically; by secure data-center facilities and logically; via multi-tiered redundant firewalls, intrusion prevention systems as well as other electronic measures.

4 Results from operations

FINANCIAL RESULTS

Selected Financial Information

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth certain unaudited information for each of the eight most recent quarters, the last of which ended September 30, 2008. The annual information has been derived from the Company's audited consolidated financial statements, while quarterly information has been derived from the Company's unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments necessary for the fair presentation of the information presented. Historically, the Company's operating results have fluctuated on a quarterly basis.

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Quarterly results of operations

QE	Revenue	Gross Profit	Operating expenses	Other expenses (income)	Loss from continued operations	Loss for the period	Loss per share basic and diluted
September 30, 2008	1,819,046	860,341	1,631,540	554,905	(1,326,104)	(1,326,104)	(0.02)
June 30, 2008	2,287,695	1,086,562	1,559,793	130,003	(603,234)	(603,234)	(0.01)
March 31, 2008	1,643,674	813,144	1,512,074	181,931	(880,861)	(880,860)	(0.01)
December 31, 2007	2,077,408	992,986	1,879,835	129,242	(1,016,091)	(1,016,092)	(0.01)
September 30, 2007	2,411,723	1,092,340	1,865,210	132,909	(905,779)	(905,779)	(0.01)
June 30, 2007	2,359,171	932,977	1,588,808	124,517	(780,348)	(780,348)	(0.01)
March 31, 2007	2,121,873	961,753	1,480,421	110,526	(629,194)	(629,194)	(0.01)
December 31, 2006	1,400,410	733,918	993,043	109,292	(368,417)	(368,417)	(0.01)

Annual results of operations

	2,008	2007	2006
Revenue	7,827,823	#####	#####
Gross profit	3,753,033	#####	#####
Gross margin	48%	45%	48%
Operating expenses	6,583,242	#####	#####
Other expenses (income)	996,081	477,244	177,448
Net income (loss)	#####	#####	#####
Income (loss) per share	(0.05)	(0.04)	(0.03)
Total assets	7,112,932	#####	#####
Total current liabilities	3,511,059	#####	#####
Total long-term financial liabilities	2,256,442	173,972	#####
Total equity	1,345,431	#####	122,807

Segmented Information

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Sales by Geographic segment are as follows:

	2008	2007
Canada	\$ 3,517,630	\$ 3,123,750
United States of America	904,484	1,192,646
South America	679,341	1,000,962
Asia	1,316,235	1,519,794
Europe	568,216	701,781
Australia	220,636	406,332
Africa	621,281	347,912
	<hr/> \$ 7,827,823	<hr/> \$ 8,293,177

Sales by category are as follows:

	2008	2007
Recurring service revenue	\$ 3,907,082	\$ 2,398,302
Non recurring hardware and software revenue	3,920,741	5,894,875
	<hr/> \$ 7,827,823	<hr/> \$ 8,293,177

Assets

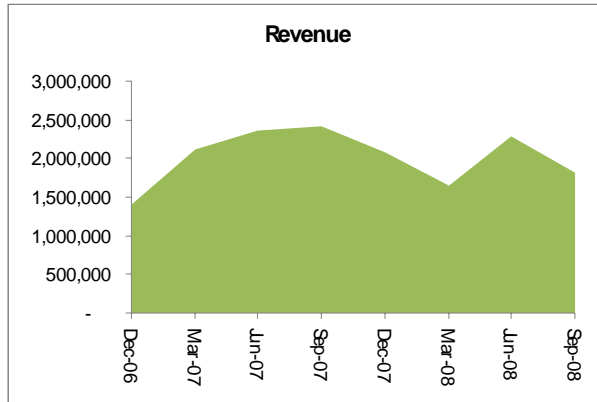
	2008	2007
Canada	\$ 5,248,848	\$ 5,060,662
Belgium	1,864,084	782,483
	<hr/> \$ 7,112,932	<hr/> \$ 5,843,145

RESULTS OF OPERATIONS

Revenues:

Revenue for the year ended September 30, 2008 decreased by 465,354 or 5.6% to \$ 7,827,823 from \$ 8,293,177 for year ended September 30, 2007.

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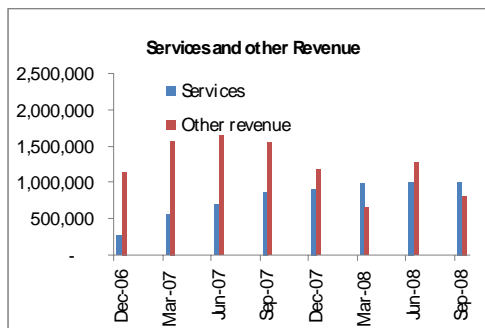


Decrease in revenue is attributed to lower hardware revenue. The Company derives its revenue from the sale of its products, software licenses (self-hosted applications), services and resale of third party products and services. Services revenue includes monthly ASP service fees, monthly alarm monitoring fees, and resale of cellular & satellite data. The services portion of the revenues is recurring by nature.

The Company enters into contracts with its customers usually ranging from 12 to 36 months or beyond. Revenues are recognized monthly as services are delivered.

Revenue is rendered on the basis of upfront sales of hardware and software licensing components, and service and maintenance agreements under contract ranging from one to three years or beyond. Revenue from such maintenance contracts will be recognized only as the services are offered, resulting in the deferral of contracted revenues in the future.

Service revenue for the year ended September 30, 2008 increased by \$ 1,508,780 or 63% to \$ 3,907,082 from \$ 2,398,302 for the year ended September 30, 2007.



The increase in services revenue is attributable to (i) the growth in the installed base of subscribers to the company's Sentinel services, and (ii) additional billable service features such as data bus integration. In addition to subscribers, the Company's service revenue will be affected by a number of factors, including the rate at which service features or add-ons are adopted and pricing associated with the size and term of customer contracts. Non recurring hardware and software revenue for the year ended September 30, 2008 decreased by \$1,974,134 to \$3,920,741 from \$ 5,894,875 for the year ended September 30, 2007.

Decrease in Non recurring hardware and software is attributed to lower hardware and software sales in North America as well as rest of the world. The North America hardware and software revenues were impacted by introduction of lower price module commercialized during the year. The decrease in the rest

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of the world hardware and software revenues was impacted by restructuring at our Belgium operations. The restructuring was caused by change in senior management at the Belgium operations.

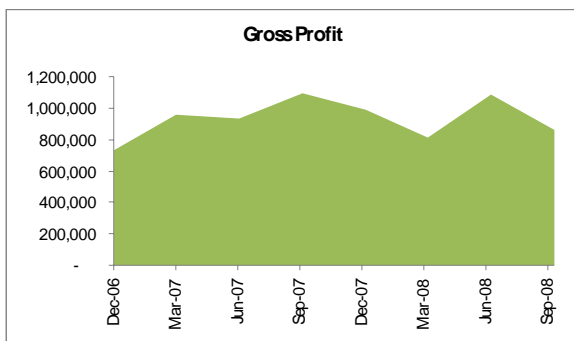
Historically the Company North America business has been growing through direct sales. The Company is expanding its sales channels by utilizing the sales force of wireless partners as well as other partners to increase its sales.

The Company’s goal going forward is to leverage the success of the Sentinel FM suite of products and services in Canada and increase the sales force in the United States to focus on and capitalize on the forecasted growth opportunities in the USA. Outside of North America, the company’s growth strategy is to leverage Sectrack’s network of VARs for the international launch of BSM’s products and services, while at the same time maintaining and growing the sales of existing product and services of Sectrack. The Company’s goal is to provide a diversified suite for the international Telematics market, including hardware, network services (satellite and cellular) and a turnkey end to end solution.

Gross Profit

The gross profit for the year ended September 30, 2008 increased by \$ 32,045 to \$3,753,033 or 48% of the revenue from \$3,720,988 or 45% of the revenue for the year ended September 30, 2007.

The increase in yearly total gross profit was primarily due to increase in higher gross profit margin services revenue, a result of the growth of the services subscriber base and introduction of additional billable service features such as our new data bus integration offering.



Gross profit margin for the year ended September 30, 2008 was 48 %, representing an increase over the reported gross profit margin of 45% for the year ended September 30, 2007. The increase in total gross profit margins was due primarily to (i) reduction in cost of the hardware devices, (ii) increased sales mix of higher gross profit margin services revenue.

Management expects that over time Sentinel service revenues will represent a larger percentage of total revenue. Sentinel service revenues are higher margin than hardware revenues. Gross profit margin for the company will also vary depending on the mix of the sales in the period.

Expenses:

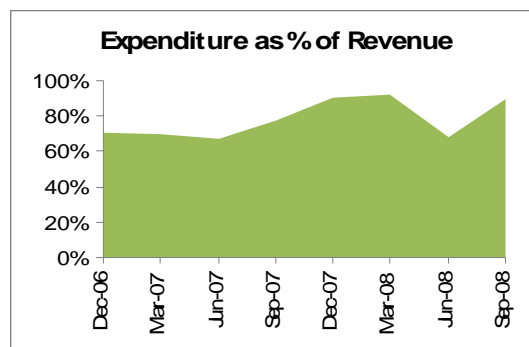
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Overall, operating expenses before interest expense and amortization of intangible assets increased by \$ 655,760 to \$6,583,242 for the Year ended September 30, 2008 from \$ 5,927,482 for the Year ended September 30, 2007. The year over year increase in operating expenses before interest expenses was impacted by (i) the inclusion of Sectrack results for full twelve months as opposed to only eight months in Fiscal 2007 from the date of Sectrack’s acquisition on Jan 31, 2007. Sectrack’s operating expenses before interest expenses and excluding one time expenses related to legal fees for first extra four months amounted to aprox \$ 389,445; (ii) incorporation of Netistix operations \$ 431,815; and (iii) certain one-time expenses related to legal fees incurred to maintain the injunction against the supplier of Sectrack. The injunction was obtained in June 2007 and successfully maintained on its returned hearing in December 2007. The legal expenses for the injunction amounted to approximately \$791,529 (2007-\$515,000). On February 14, 2008 the Company announced that its wholly-owned subsidiary, SecTrack NV (“SecTrack”) had reached a full and final settlement of all outstanding legal claims with its key supplier, Satamatics Limited (“Satamatics”) and a former employee. As part of the settlement agreement, Satamatics will continue to be a strategic supplier of D+ and IsatM2M products and airtime to SecTrack. Both companies agreed to work closely together on customer development and new product deployment. Each party has agreed to bear its own legal costs in relation to the Action.

The Company has implemented a series of cost cutting initiatives to align its cost base to its expected revenue stream. The results of some of these initiatives have been reflected in this year and the balance will be reflected in the next year. The Company anticipates the expenses to decline in the short term from fiscal 2008 levels and stabilize by second quarter of fiscal 2009.

The following table and graph summarize quarterly expenses and expenses as a percentage of revenue from Oct 1, 2006.

QE	Expenses	% of Revenue
Dec-06	993,043	71%
Mar-07	1,480,421	70%
Jun-07	1,588,808	67%
Sep-07	1,865,210	77%
Dec-07	1,879,835	90%
Mar-08	1,512,074	92%
Jun-08	1,559,793	68%
Sep-08	1,631,540	90%



Management anticipates the Company’s development efforts will result in increased revenues and service delivery capabilities in the future, as the related products and services are delivered to the Company’s commercial and consumer markets.

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General and Administrative Expenses

General and administrative Expenses for the year ended September 30, 2008 increased by \$ 911,880 to \$3,519,293 or 45% of revenue from \$2,607,413 or 31% of revenue for the year ended September 30, 2007. The year over year overall increase is attributed to (i) increase of \$ 145,696 due to inclusion of Sectrack results for full twelve months as opposed to only eight months in Fiscal 2007 from the date of Sectrack's acquisition on Jan 31, 2007 to Sept 30, 2007, (ii) increase of \$ 276,529 to \$ 791,529 (2007-\$515,000) expenses related to legal fees incurred to maintain the injunction against the supplier of Sectrack which was obtained in June 2007 and successfully maintained on its returned hearing in December 2007. The injunction was successfully obtained and was necessary to protect the Company's long-term business interests, (iii) additional costs due to integration of Netistix operations amounted to \$209,034 in F 2008 (2007-\$Nil), (iv) increased provision for doubtful receivables \$ 92,740, (v) increased wages expenses \$ 32,253, (vi) increased public company related expenses and legal's \$ 72,459, (vii) increased rent \$ 16,537 and (viii) other expenses in this category increased by \$ 66,632 due to increased infrastructure for part of the year.

Research and Development Expenses

Research and Development Expenses decreased by \$ 59,040 to \$1,160,279 or 15% of revenue for the year ended September 30, 2008 from \$ 1,219,319 or 15% of revenue for the year ended September 30, 2007. The decrease in research and development Expenses despite integration of Netistix staff was due to overall reduction of employees in this category. The Research and Development Expenses for the year ended September 30, 2008 also includes expenditures for development of next generation of our products. The Company expects that in the near short term its expense in this category may increase due to integration of its acquired technologies, but in the long run it expects current level of expenses in this category. The company believes that its current and expected short term increase in this category will lower the company's existing manufacturing costs, and add additional products and services that will allow the company to increase its revenue and margin in future periods.

Research and development expenses consist of employee salaries and expenses related to development personnel and consultants, as well as expenses associated with software and hardware development. The Company expects that the research and development expenses as a percentage of revenue will decrease as overall revenue increases.

Sales and Marketing Expenses

Sales and marketing expenses includes the salaries and commissions of sales staff, advertising, promotions, and other costs such as travel. Marketing expenses decreased by \$ 331,268 to \$1,771,434 or 23% of revenue for the year ended September 30, 2008 from \$ 2,102,702 or 25% of the revenue for the year ended September 30, 2007. The year over year difference is due to (i) decrease in wages expenses of \$ 321,208 (ii) increase of \$ 243,749 due to inclusion of Sectrack results for full twelve months as opposed to only eight months in Fiscal 2007 from the date of Sectrack's acquisition on Jan 31, 2007 to September 30, 2007, (iii) increase of \$ 37,400 due to integration of Netistix operations, (iv) decrease of \$201,494 due to reduced dealer sales and (v) decrease of \$89,715 in travel and other cost in this category.

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The Company plans to increase its overall marketing efforts significantly in order to aggressively increase its subscriber base. Despite the expected increase in the marketing expenses the expected marketing expense as a percentage of total revenue will decrease as the company increases its overall revenue.

Interest expenses

Interest expense for the year ended September 30, 2008 was \$39,070 (2007-\$29,826).

Interest portion of capital lease expense for the year ended September 30, 2008 was \$16,506 (2007-\$8,623). Interest charges for full year on various computer equipment for enhancing the Company's services offerings through a capital lease (thirty six months term) accounted for this yearly change.

Interest on convertible debenture:

Interest on the convertible debenture for the year ended September 30, 2008, was \$657,330 (2007-\$447,418). Increased additional interest amount \$13000, forbearance amount \$ 39,000 and interest on additional debenture amount (as part of **2008 Convertible Debentures** financing) \$ 75,500 accounted for the changes in the financial liability component of the total convertible debenture interest.

Interest and other expense on the Convertible debentures is composed of the interest calculated on the face value of the convertible debentures, and an annual notional interest representing the accretion of the carrying value of the debenture. Interest recorded was as follows::

	September 30, 2008	September 30, 2007
(i) 2008 Convertible debenture		
Interest expense on face value	121,421	
Notional interest representing accretion.	137,884	
	\$ 259,305	\$ -
(ii) 2006 Convertible debenture		
Interest expense on face value	\$ 214,500	\$ 208,000
Notional interest representing accretion.	183,525	239,418
	\$ 398,025	\$ 447,418
	\$ 657,330	\$ 447,418

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Interest on non convertible debenture:

On January 14, 2008, the Company completed a private placement of a \$450,000 Debenture Financing (“2008 Debenture”) with a Company controlled by the former acting chairman of the Company. The Debenture was secured against the assets of Netistix, and repayable upon the earlier of July 28, 2008 or receipt by Netistix of the funds evidenced by the notice of assessment from Canada Revenue Agency and the Department of Finance Canada determining the amount of the Investment tax credit refund claim (the “SRED Claim”). The Debenture bears an interest rate of 14% per annum. Upon Netistix’s receipt of the funds and notice of assessment from Canada Revenue Agency the Debenture was repaid on January 28, 2008.

Interest and other expense on the 2008 Debentures are composed of the interest calculated on the face value of the debentures and the financing costs such as legal expenses associated with it. Interest recorded was as follows:

	September 30, 2008	September 30, 2007
Financial liability component	2,953	
Legal and other expenses	8,136	
	\$ 11,089	\$ -

Amortization of property, plant and equipment

Amortization of capital assets for the year ended September 30, 2008, was \$203,592, compared with \$ 90,998 for the year ended September 30, 2007. Amortization for full year on various computer equipment for enhancing the Company’s services offerings through a capital lease (thirty six months term) accounted for this yearly change. The Company plans to increase the spending on capital assets acquisition in order to continue to enhance its service offering to existing and future customers.

Amortization of intangible assets

Amortization of intangible assets for the year ended September 30, 2008, was \$272,086, compared with \$ Nil for the year ended September 30, 2007. Amortization of intangible assets acquired on the acquisition of Netistix on December 24, 2007 accounted for this yearly change.

SR & ED

The majority of the scientific research and experimental development (“SR & ED”) claim portion available to the company is not refundable in cash and instead can only offset its tax obligations. The company in its financial statements only accounts for the refundable portion of the SR & ED claim and does not account for the benefit of the non-refundable portion of the SR & ED claim.

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Net Loss

Net loss for the for the year ended September 30, 2008 , was \$3,826,290 or \$0.05 per share on a diluted basis compared with a net loss of \$2,683,738 or \$0.04 per share on a diluted basis for the for the year ended September 30, 2007. The net loss per share for the year ended September 30, 2008 was also impacted by an increase in weighted average number of common shares from 63,691,911 to 81,816,619.

The Company anticipates that it will incur losses in the future, as it continues to develop and expand its revenue base. The Company also anticipates that as the benefits of its technology become more broadly recognized, sales cycles will become shorter and contracted quantities larger. The Company expects that this transition, together with increasing revenues and its relatively fixed operating infrastructure costs, will result in lower operating losses and ultimately future profits. The extent of the improvement will depend in part on how effectively the Company expands its business.

5 LIQUIDITY AND CAPITAL RESOURCES:

The Company used \$1,920,760 to finance operating activities during the year ended September 30, 2008, including \$3,033,164 in operating losses offset by a decrease of \$1,112,404 in non cash operating working capital. This compares with cash used in the year ended September 30, 2007 of \$ 1,519,446 - \$2,311,272 to finance operating losses offset by a decrease of \$791,826 in non cash operating working capital. Lower accounts receivable, higher accounts payable, offset by higher inventory amount accounted for the changes in the non-cash working capital.

Accounts receivable were \$987,087 as at September 30, 2008 compared with \$1,017,474 at September 30, 2007. The lower receivables were primarily due to improved collection initiatives. The Company typically extends industry standard credit terms to customers with larger fleets, reducing accounts receivable turnover and contributing to larger accounts receivable balances. The monthly fluctuations in sales may also cause a large variance in the month end receivable balances. The inventory was \$ 910,034 as at September 30, 2008 compared with \$ 394,881 as at September 30, 2007. Receipt of a big lot of inventory purchase during the last quarter accounted for the change. Inventory turnover for the year ended September 30, 2008 was 42.87 days (year ended September 30, 2007, -17.4 days). The Company's typical inventory turnover rate is fiscal 2007 inventory turnover rate; the increase in the inventory turnover rate in fiscal 2008 was due to purchase of a big lot of inventory purchase during the last quarter as described above.

At September 30, 2008, the working capital deficiency was \$ 154,031 (September 30, 2007- \$ 909,607). Working Capital has been calculated by netting current assets and current liabilities, and excluding deferred revenue which is a non cash item. Working capital as at September 30, 2008 increased by \$ 755,576. The primary cause of working capital increase was new equity and debenture financing, offset by operating loss incurred in the year.

On June 30, 2008 (as to \$2,350,000) and on July 2, 2008 (as to \$300,000), the Company closed a total of \$2,650,000 in new Convertible Debentures (the "2008 Convertible Debentures"). The 2008 Convertible

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Debentures have a term of two (2) years and are convertible into common shares of the Company at the rate of one common share for each \$0.06 of debt converted. The 2008 Convertible Debentures are secured against the assets and undertaking of the Company (including security over all subsidiaries of the Company) and bear interest at the rate of 14% per year. The 2008 Convertible Debentures have standard terms and conditions that are typical for a financing instrument of this nature and such standard terms are substantially the same as the terms of the 2006 Convertible Debentures except that there are no financial covenants. The subscribers received warrants (“Warrants”) to acquire common shares of the Company equal in number to the number of common shares convertible upon exercise of the conversion feature of the 2008 Convertible Debentures. Each Warrant is exercisable at \$0.10 to acquire a further common share for two (2) years from closing. \$500,000 of the funds from the 2008 Convertible Debentures was used to repay \$500,000 of the 2006 Convertible Debentures with the balance used for working capital.

\$300,000 of the 2006 Convertible Debentures were replaced with Reconstituted Debentures and Warrants on the same terms as the 2008 Convertible Debentures. \$500,000 of the 2006 Convertible Debentures, held by Company Insiders (“Insiders”), were replaced with Insider Reconstituted Debentures at a conversion rate of one common share for each \$0.07 of debt converted and the Insiders also received Warrants equal in number to the number of common shares convertible upon exercise of the conversion feature of the Insider Reconstituted Debentures. The 2008 Convertible Debentures, Reconstituted Debentures and Warrants underlying securities were restricted from trading until October 31, 2008, with respect to \$2,350,000 of the 2008 Convertible Debentures and the Reconstituted Debentures, and until November 3, with respect to the remaining \$300,000 of the 2008 Convertible Debentures.

The Company had identified (a) Onbelay Partners Ltd, a company controlled by Mr. John Bell and Mr. Aly Rahemtulla; both directors of BSM, (b) Onbelay Capital Inc, a company controlled by Mr. John Bell a director of BSM and (c) ANR Solutions Inc, a company controlled by Mr. Aly Rahemtulla, as related parties. Onbelay Partners Ltd, Onbelay Capital Inc and ANR Solutions Inc acquired an aggregate of \$500,000 of Reconstituted Debentures and 7,142,857 Warrants in replacement for the \$500,000 of 2006 Convertible Debentures and 869,565 Warrants (part of the 2006 Convertible debentures) they held previously.

The Company has determined the fair market value of the liability portion of the convertible debenture upon issuance to be \$2,121,253 which amount will be accreted to its face value of \$3,450,000 through interest expense charges computed at 26.92% per annum through to July 2, 2010. The balance of the convertible debenture approximating \$1.5 million has been credited to equity and represents the values ascribed to the obligation to issue warrants and the convertible feature of the debenture.

In connection with the 2008 Convertible Debentures financing and Reconstituted Debentures (hereinafter collectively called “2008 Debentures”) , the Company incurred costs of \$117,359 that was charged to the liability and equity portions.

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During the year ended September 30, 2008, the company recovered loan advanced of \$ 27,614 from the former President and CEO of the Company and companies under his control (2007-loan advance \$ 20,623).

On November 22, 2007, the Company obtained regulatory approval for a non-brokered private placement of 2,000,000 units at a price of \$0.15 per unit ("Unit"). Each Unit is comprised of one common share and one half-share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one common share upon payment of \$0.20 per common share and expires November 23, 2009. The transaction was completed on December 11, 2007. The warrants issued with this private placement have been valued at \$23,494 using a Black Scholes model with the following weighted average assumptions; dividend yield of 0%, volatility of 40.78%, risk free rate of interest of 4.5% and expected life of 2 years. Total cash cost associated with this private placement for TSX V fees amounted to \$2000 leaving net cash proceeds of \$298,000. These share issue expenses have been deducted from issued capital.

On December 24, 2007, the Company issued 7,142,857 common shares of the Company, valued at \$1,000,000 for the acquisition of Netistix. One half of the share consideration was issued on closing and the balance ("Escrowed Shares") were subject to a voluntary escrow which were released on receipt of notice of assessment from Canada Revenue Agency and the Department of Finance Canada determining the amount of the SRED Claim, as the Escrow requirement of the Net Working Capital effective on the Closing Date taking into consideration the value of the SRED Claim as assessed by Canada Revenue Agency and the Department of Finance Canada was positive.

During the year ended September 30, 2008, 10,467,533 warrants with an average exercise price of \$0.21 per common share expired unexercised.

During the year ended September 30, 2008, pursuant to regulatory approval for settlement of certain accounts payable by shares, the following shares of the company were issued from the treasury:

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Twelve months ended September 30, 2008:

Date of Issuance	Number of shares issued	Rate	Aggregate amount
16-Nov-07	276,785	\$ 0.140	\$ 38,750
6-Feb-08	3,652,070	\$ 0.130	471,895
13-Aug-08	350,000	\$ 0.075	26,250
Total	4,278,855		\$ 536,895

Twelve months ended September 30, 2007:

Date of Issuance	Number of shares issued	Rate	Aggregate amount
8-Nov-06	96,511	\$ 0.195	\$ 18,820
12-Mar-07	73,463	\$ 0.400	29,386
31-Aug-07	93,750	\$ 0.200	18,750
31-Aug-07	93,750	\$ 0.200	18,750
Total	357,474		\$ 85,706

During the year ended September 30, 2008, Nil (September 30, 2007-392,852) common shares of the Company were issued from treasury pursuant to the exercise of stock option under the company's stock option plan. The weighted average exercise price was \$Nil per common share (September 30, 2007-\$0.1175 per Common share).

No grant of stock options to acquire common shares were made in the year ended September 30, 2008 (2007- 730,000 options at average price of \$0.18 per share)

The Company maintains a \$200,000 (September 30, 2008-\$200,000) credit facility with a Canadian chartered bank. The balance outstanding at September 30, 2008 was \$199,295 (September 30, 2007-\$199,621). The facility allows for a borrowing limit of up to \$ 200,000. Security for the borrowings of the Company has been provided to the bank in the form of cash collateral agreement assigning GIC in the amount of \$200,000. Subsequent to the year end, the GIC was cashed and the balance outstanding on the credit facility was paid.

Capital expenditures by cash for the year ended September 30, 2008, were \$48,175 compared with \$ 78,796 for the year ended September 30, 2007. Acquisition of computer equipment on a capital lease (for thirty six months term) for the year ended September 30, 2008 were \$19,682 compared with \$ 294,774

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for the year ended September 30, 2007. The Company anticipates increases in capital expenditures and lease commitments with its expected growth in operations and infrastructure.

The Company believes that its current cash and cash equivalents will be insufficient to meet its anticipated cash needs for ongoing operating expenses, working capital and capital expenditures. If cash generated from operations is insufficient to satisfy its liquidity requirements, the company may seek to sell additional equity or debt securities or to obtain a larger credit facility. If additional funds are raised through the issuance of debt securities, holders of these securities could have certain rights, preferences and privileges senior to holders of its common stock and the terms of this debt could restrict the Company's operations. The sale of additional equity or convertible debt securities could result in additional dilution to the Company's existing stockholders. The company cannot be certain that additional financing will be available in amounts or on terms acceptable to it, if at all. If the company is unable to obtain additional financing, it may be required to reduce the scope of its operations, which could harm its business, financial condition and operating results.

The Company has experienced significant losses from operations during the last several years and has an accumulated deficit of \$13,062,251. The Company's continued existence is dependent upon its ability to achieve profitable operations and to obtain alternative financing. There can be no assurance that the Company will achieve profitable operations, or that financing efforts will be successful.

Related Party transactions:

- i) The Company had previously identified Nick Cirella, a director and former President & CEO, Applied Innovations Group Inc and other companies under Mr. Cirella's control as related parties. The related parties are considered to have significant influence over the Company as defined under section 3840 of the CICA Handbook. During the year ended September 30, 2008, the Company paid \$ 137,327 to a company under Mr. Cirella's control as management fee under a Management contract between the Company and Mr. Cirella for his role as CEO (2007- \$ 208,747). During the year ended September 30, 2008, the Company paid \$ 32,500 to a company under Mr. Cirella's control as consulting fee under a management consulting contract between the Company and Mr. Cirella (2007- \$ Nil).

During the year ended September 30, 2008, the company had received loan repayment \$ 27,614 from the director and former President & CEO of the Company and companies under his control (2007-loan advance of \$20,623).

- ii) The Company had identified (a) Onbelay Partners Ltd, a company controlled by Mr. John Bell and Mr. Aly Rahemtulla, both directors of the BSM Technologies Inc, (b) Onbelay Capital Inc, a company controlled by Mr. John Bell a director of BSM Technologies Inc and (c) ANR Solutions Inc, a company controlled by Mr. Aly Rahemtulla, as related parties. On May 9, 2006, the Company proposed to issue up to \$1,500,000 in Convertible Debentures. TSX Venture Exchange's approval was obtained on July 7, 2006. Pursuant to this approval, the Company closed the debenture financing on July 7, 2006 and issued Convertible Debentures in the aggregate

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amount of \$1,300,000 (the “2006 Convertible Debentures”) and 2,260,869 warrants (the “Warrants”). The 2006 Convertible Debentures had a term of two (2) years and were convertible into common shares of BSM at the rate of one common share for each \$0.23 of debt converted. The 2006 Convertible Debentures were secured against the assets and undertaking of the Company and bear interest at the rate of 14% per year. The subscribers received one Warrant for each \$0.575 in principal amount of 2006 Convertible Debentures purchased. Each Warrant was exercisable at \$0.23 to acquire a further common share until July 7, 2008. Onbelay Partners Ltd, Onbelay Capital Inc and ANR Solutions Inc acquired an aggregate of \$500,000 of 2006 Convertible Debentures and 869,565 Warrants.

As part of 2008 Convertible Debentures financing completed on June 30, 2008, Onbelay Partners Ltd, Onbelay Capital Inc and ANR Solutions Inc acquired an aggregate of \$500,000 of Reconstituted Debentures and 7,142,857 Warrants in replacement for the \$500,000 of 2006 Convertible Debentures and 869,565 Warrants (part of 2006 Convertible Debenture) they held previously.

During the year ended September 30, 2008, the Company paid \$100,000 to the related parties as interest on the 2006 Convertible debenture and 2008 Convertible debenture (2007-\$80,000).

During the year ended September 30, 2008, the Company provided for \$35,000 as amount payable to ANR Solutions Inc, for consulting services provided by them. As at September 30, 2008, \$10,000 was unpaid (2007-\$Nil). During the year ended September 30, 2008, the Company paid \$ 51,042 (2007-\$Nil) to a company under Mr. Aly Rahemtulla control as management fee for his new role as the CEO of the company with effect from 16th June, 2008.

Pursuant to the shares for debt settlement Completed during the three months ended December 31, 2007, Onbelay Partners Ltd acquired 142,857 common shares for consulting services provided by them during the year ended September 30, 2007, \$20,000 of this amount was outstanding as of September 30, 2007.

- (iii) On January 14, 2008, the Company completed a private placement of a \$450,000 Debenture Financing with a Company controlled by the former acting chairman of the Company. The interest rate on the debenture was 14% per annum. The debenture was repaid on January 28, 2008.

COMMITMENTS

- (i) Operating lease:
The Company has entered into leases for premises with the following total minimum annual payments:

2009	237,709
2010	246,634
2011	80,621

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- (ii) Capital lease:
The Company has obtained lease financing to facilitate the purchase of computer equipment. The following is a schedule of annual minimum lease payments:

	2009	116,706
	2010	69,464
		<hr/> \$186,170
Less: current portion:		<hr/> (116,706)
		<hr/> \$ 69,464

CONVERTIBLE DEBENTURE

On July 7, 2006, the Company issued Convertible Debentures in the aggregate amount of \$1,300,000 (the “**2006 Convertible Debentures**”) and 2,260,869 warrants (the “**OS Warrants**”). The 2006 Convertible Debentures had a term of two (2) years and were convertible into common shares of BSM at the rate of one common share for each \$0.23 of debt converted. The 2006 Convertible Debentures were secured against the assets and undertaking of the Company and bore interest at the rate of 14% per year. Under the terms of the 2006 Convertible Debentures, interest only was payable monthly. The subscribers received one Warrant for each \$0.575 in principal amount of 2006 Convertible Debentures purchased. Each Warrant was exercisable at \$0.23 to acquire a further common share until July 7, 2008. Pursuant to the terms of the 2006 Convertible Debentures, there were certain covenants of the Company in favour of the Debenture Holders including the right at the option of the debenture holders to prepayment of the 2006 Convertible Debentures in the event that the Company completed an equity financing of at least \$5,000,000 or there was a change of control. A change of control occurs where any Person (other than Nick Cirella or Onbelay Partners Limited) acquires control directly or indirectly of 20% or more of the voting shares of the Company except pursuant to a bona fide arm’s length amalgamation, merger or acquisition transaction approved by the Debenture Holders (a “Permitted Change of Control”) or where Nick Cirella becomes the direct or indirect beneficial owner of less than 30% of the voting shares of the Company, except in the circumstances of a Permitted Change of Control. The Debenture Holders had pre-emptive rights to participate pro rata in any equity or debt financings and had the right to maintain their current ratio of representation on the board of directors of 2:7. The Company was restricted from issuing shares at less than \$0.23 or at more than a 10% discount between \$0.23 and \$0.50 without the consent of the Debenture Holders. The Company was also obligated to maintain certain financial covenants pursuant to the 2006 Convertible Debentures. Commencing with the quarter ending December 31, 2006, the Company was to have maintained minimum quarterly sales of \$750,000. In addition, the Company was to have maintained minimum quarter ending EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) as follows: September 2006: (\$250,000); December 2006: (\$245,342) (as amended February 28, 2007); March 2007: (\$502,795) (as amended May 25, 2007); and June 2007: \$150,000. As consideration for the May 25, 2007 amendment to the terms of the 2006 Convertible Debentures, the Company agreed to pay the Debenture Holders an additional 0.333% interest per month

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for the three (3) months ended June 30, 2007 increasing monthly interest from 1.167% to 1.5% for an aggregate additional cost for interest for Q3 of \$13,000. The Company did not meet the June 2007 EBITDA target and was in default of that covenant. As at December 31, 2007 the 2006 Convertible Debentures were in default. The Debenture Holders made demand for payment and agreed to a Forbearance of their right to exercise their remedies under the 2006 Convertible Debentures until April 1, 2008 after which date the 2006 Convertible Debentures became immediately repayable, and the Debenture Holders had available to them all the remedies available at law and under the 2006 Convertible Debentures to enforce their right to repayment. From December 31, 2007 the 1.5% per month interest rate continued to apply. The Company paid a 3% interest penalty to the Debenture Holders, representing a payment of approximately \$40,000, as consideration for the Forbearance.

On June 30, 2008 (as to \$2,350,000) and on July 2, 2008 (as to \$300,000), the Company closed a total of \$2,650,000 in new Convertible Debentures (the “**2008 Convertible Debentures**”). The 2008 Convertible Debentures have a term of two (2) years and are convertible into common shares of the Company at the rate of one common share for each \$0.06 of debt converted. The 2008 Convertible Debentures are secured against the assets and undertaking of the Company (including security over all subsidiaries of the Company) and bear interest at the rate of 14% per year. The 2008 Convertible Debentures have standard terms and conditions that are typical for a financing instrument of this nature and such standard terms are substantially the same as the terms of the 2006 Convertible Debentures except that there are no financial covenants. The subscribers received warrants (“**Warrants**”) to acquire common shares of the Company equal in number to the number of common shares convertible upon exercise of the conversion feature of the 2008 Convertible Debentures. Each Warrant is exercisable at \$0.10 to acquire a further common share for two (2) years from closing. \$500,000 of the funds from the 2008 Convertible Debentures was used to repay \$500,000 of the 2006 Convertible Debentures with the balance used for working capital.

\$300,000 of the 2006 Convertible Debentures were replaced with Reconstituted Debentures and Warrants on the same terms as the 2008 Convertible Debentures. \$500,000 of the 2006 Convertible Debentures, held by Company Insiders (“**Insiders**”), were replaced with Insider Reconstituted Debentures at a conversion rate of one common share for each \$0.07 of debt converted and the Insiders also received Warrants equal in number to the number of common shares convertible upon exercise of the conversion feature of the Insider Reconstituted Debentures. The 2008 Convertible Debentures, Reconstituted Debentures and Warrants underlying securities were restricted from trading until October 31, 2008, with respect to \$2,350,000 of the 2008 Convertible Debentures and the Reconstituted Debentures, and until November 3, with respect to the remaining \$300,000 of the 2008 Convertible Debentures.

The Company had identified (a) Onbelay Partners Ltd, a company controlled by Mr. John Bell and Mr. Aly Rahemtulla; both directors of BSM, (b) Onbelay Capital Inc, a company controlled by Mr. John Bell a director of BSM and (c) ANR Solutions Inc, a company controlled by Mr. Aly Rahemtulla, as related parties. Onbelay Partners Ltd, Onbelay Capital Inc and ANR Solutions Inc acquired an aggregate of \$500,000 of Reconstituted Debentures and 7,142,857 Warrants in replacement for the \$500,000 of 2006 Convertible Debentures and 869,565 Warrants (part of the 2006 Convertible debentures) they held previously.

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In connection with the 2008 Convertible Debentures financing and Reconstituted Debentures (hereinafter collectively called "2008 Debentures"), the Company incurred costs of \$117,359 that was charged to the liability and equity portions.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares. As at September 30, 2008 and as at the date of this report there were 85,907,730 outstanding common shares, including 547,900 common shares remaining in escrow the release of which is subject to performance conditions of company attaining certain cash flow levels.

Included in the issued and outstanding common shares are 2,442,857 common shares of the Company, which the Company has issued in exchange for the acquisition of HGI. These shares are subject to a surplus escrow and will be released every six months in equal installments over a period of six years. As of September 30, 2008, 1,465,713, of the shares have been released from escrow.

As at September 30, 2008, there were 1,856,133 outstanding options to acquire common shares to directors, shareholders and employees of the Company at a weighted average price of \$ 0.20. As at the date of this report there were 480,000 options to acquire common shares due to expiry of 1,376,133 options.

As of September 30, 2008, the Company had outstanding 68,544,524 warrants to acquire one common share at a weighted average exercise price of \$0.13 per share. As at the date of this report the Company had outstanding 57,309,524 warrants to acquire one common share due to expiry of 11,235,000 warrants.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2008, the company does not have any off balance sheet arrangements.

FOURTH QUARTER OPERATING RESULTS

Revenues for the three months ended September 30, 2008 decreased by 24.57% to \$1,819,046 from \$2,411,723 for the three months ended September 30, 2007. The decrease is attributed to lower hardware sales in the European operations.

Service revenue increased by 16% to \$ 1,011,069 for the three months ended September 30, 2008 from \$ 870,082 in the same period in 2007. The increase in services revenue is attributable to the growth in the installed base of subscribers. In addition to subscribers, the Company's service revenue will be affected

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by a number of factors, including the rate at which service features or add-ons are adopted and pricing associated with the size and term of customer contracts.

Non recurring hardware and software revenue decreased by 48% to \$ 807,976 for the three months ended September 30, 2008 from \$ 1,541,641 in the same period in 2007. The decrease is attributed to lower hardware and software sales in North America as well as rest of the world. The North America hardware and software revenues were impacted by introduction of lower price module commercialized during the year, the lower rest of the world hardware and software revenues were impacted by restructuring at our Belgium operations. The restructuring was caused by change in senior management at the Belgium operations.

The Company continues to increase its revenue through new customer hardware sales, thereby increasing its monthly subscriber base. It has also endeavored to provide more comprehensive services to customer. The Company North America business has been growing organically through direct sales to both small and large customers. The sales cycle to these customers can vary from weeks to many months. As well the company has also been seeding the market by selling product as a pilot project to large customers to use for trials. Some of these trials last for over a year. As a result, predicting the sales results for a quarter is difficult as sales cycles or trials may close in the quarter or easily slip into the next quarter (or even take longer). Management expects that in the long term such fluctuations in revenue will flatten out with the expansion of the company's sales force and dealer/distribution channels.

The gross profit decreased by \$ 231,999 for the three months ended September 30, 2008 to \$860,341 from \$1,092,340 for the three months ended September 30, 2007.

The decrease in total gross profit was due primarily to lower hardware sales.

Gross profit margin for the quarter ended September 30, 2008 was 47%, representing a marginal increase over the reported gross profit margin of 45.3% for the quarter ended September 30, 2007.

Management expects that over time Sentinel service revenues will represent a larger percentage of total revenue. Sentinel service revenues are higher margin than hardware revenues. Gross profit margin for the company will also vary depending on the mix of the sales in the period. Due to the higher margin available on software license sales, the proportion of software licenses sales in a period could impact the gross profit margins in the period.

Overall, operating expenses before interest expenses and amortization of intangible assets decreased by \$233,670 to \$1,631,540 for the three months ended September 30, 2008, from \$ 1,865,210 for the three months ended September 30, 2007. The expenditure to revenue ratio increased to 90% for the three months ended September 30, 2007 from 77% for the three months ended September 30, 2007. The quarter over quarter decrease in operating expenses before interest expenses was impacted by lower legal fees of \$104,615, incurred to maintain the injunction against the supplier of Sectrack which was obtained in June 2007 and successfully maintained on its returned hearing in December 2007 (three months ended September 30, 2007-\$385,000).

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General and administrative Expenses for the three months ended September 30, 2008, decreased by \$ 15,740 to \$893,426 or 49% of revenue from \$909,166 or 38% of revenue for the three months ended September 30, 2007. The increase in (i) wages component \$ 50,668 due to Netistix operations integration, (ii) rent \$ 30,172 due to Netistix operations integration and other rent increase in Belgium, (iii) provision for bad debts \$ 92,740, (iv) public company related expenses and legal's \$ 80,711 and (iv) miscellaneous expenses \$ 10,354; offset by the decrease of \$ 280,385 in legal expenses related to injunction accounted for the quarter over quarter difference in this category.

Research and Development Expenses increased by \$ 1,139 to \$287,795 or 15% of revenue for the three months ended September 30, 2008, from \$ 286,656 or 12% of revenue for the three months ended September 30, 2007. The Research and Development Expenses for the three months ended September 30, 2007 also includes expenditures for development of next generation of our products. These investments will lower the company's existing manufacturing costs, and add additional products and services that will allow the company to increase its revenue and margin in future periods. Research and development expenses consist of employee salaries and expenses related to development personnel and consultants, as well as expenses associated with software and hardware development. We expect that the research and development expenses as a percentage of revenue will decrease as overall revenue increases.

Marketing expenses includes the salaries and commissions of sales staff, advertising, promotions, and other costs such as travel. Marketing expenses decreased by \$ 232,928 to \$391,280 or 22% of revenue for the three months ended September 30, 2008, from \$ 624,208 or 26% of the revenue for the three months ended September 30, 2007. The quarter over quarter decrease is attributed to (i) \$ 118,802 in lower wages (ii) \$72,370 in lower agents compensation and (iii) \$41,756 in lower travel and other attendant cost. The Company plans to increase its marketing efforts significantly in order to aggressively increase its subscriber base.

Interest expenses

Interest expense for the three months ended September 30, 2008 was \$25,558 (three months ended September 30, 2007-\$10,034).

Interest portion of capital lease expense for the three months ended September 30, 2008 was \$661 (three months ended September 30, 2007-\$4,523).

Interest on convertible debenture:

Interest on the convertible debentures for the three months ended September 30, 2008 was \$256,598 (months ended September 30, 2007-\$118,355).

Amortization of property, plant and equipment

Amortization of capital assets for the three months ended September 30, 2008 was \$59,039 compared with \$ 24,416 for the three months ended September 30, 2007.

Amortization of intangible assets

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Amortization of intangible assets for the three months ended September 30, 2008, was \$272,086, compared with \$ Nil for the three months ended September 30, 2007. Amortization of intangible assets acquired on the acquisition of Netistix on December 24, 2007 accounted for this quarterly change.

The company used \$1,746,643 (2007- \$ 641,423) to fund continued operations during the three months ended September 30, 2008; \$858,899 (2007-\$800,748) in operating losses and an increase of \$ 887,744 (2007- decrease of \$ 159,315) in non-cash working capital. Higher inventory and higher accounts payable relative to immediately preceding quarter, accounted for the changes in the non-cash working capital.

Accounts receivable were \$987,087 as at September 30, 2008 compared with \$1,017,474 at September 30, 2007. The lower receivables were primarily due to improved collection initiatives. The Company typically extends industry standard credit terms to customers with larger fleets, reducing accounts receivable turnover and contributing to larger accounts receivable balances. The monthly fluctuations in sales may also cause a large variance in the month end receivable balances. The inventory was \$ 910,034 as at September 30, 2008 compared with \$ 394,881 as at September 30, 2007. Inventory turnover for the three months ended September 30, 2008 was 45 days (three months ended September 30, 2007, -15 days). Receipt of a big lot of inventory purchase during the month of September accounted for the change.

Capital expenditures for the three months ended September 30, 2008, were \$23,075 (2007-\$5,288).

Net loss for the three months ended September 30, 2008, was \$1,326,102 or \$0.02 per share on a diluted basis compared with a net loss of \$905,779 or \$0.01 per share on a diluted basis for the three months ended September 30, 2007. The net loss per share for the quarter was also impacted by an increase in weighted average number of common shares from 70,227,520 for the three months ended September 30, 2007, to 85,175,215 for the three months ended September 30, 2008.

During the three months ended September 30, 2008, pursuant to regulatory approval for settlement of certain accounts payable by shares, 350,000 common shares of the company at \$ 0.075 each were issued from the treasury.

During the three months ended September 30, 2008, 521,739 warrants issued pursuant to the 2006 convertible debentures expired unexercised.

During the three months ended September 30, 2008, No common shares of the company were issued from treasury pursuant to the exercise of stock option under the company's stock option plan.

Related Party transactions:

- i) During the three months ended September 30, 2008, the Company paid \$ 27,500 to a company controlled by Mr. Nick Cirella, a director and former President & CEO as consulting fee under a Management consulting contract between the Company and Mr. Cirella (three months ended September 30, 2007- \$ 43,750).

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- ii) During the three months ended September 30, 2008, the Company paid \$ 43,750 to a company controlled by Mr. Aly Rahemtulla, a director and President & CEO as consulting fee under a Management consulting contract between the Company and Mr. Rahemtulla (three months ended September 30, 2007- \$ Nil).
- iii) During the three months ended September 30, 2008, the Company paid \$ 17,500 to companies controlled by Mr. Aly Rahemtulla, a director, President and CEO and Mr. John Bell, a director and chairman of the company as interest on convertible debenture (three months ended September 30, 2007- \$ 22,500).

OUTLOOK:

The Company continues to focus its attention on new emerging markets that will position the company in the future. The emerging Telematics market is expected to grow. The strong functional and competitive capabilities of its product line positions the company as one of the active players in Telematics applications. The management believes that this will provide the necessary springboard to launch follow-on products in corporate security, fleet management and other applications

The Company will continue to explore new markets and examine other acquisition opportunities relating to complementary technologies and business, and focus on streamlining and cost cutting initiatives as required.

RESTATEMENT

The Company has a Convertible Debenture liability as described in note 8. The company now believes that the measurement and presentation of the liability and equity portion of the Convertible Debenture for the year ended September 30, 2008 was incorrect and that certain balance sheet items were misstated and misclassified for the year ended September 30, 2008. The Company has corrected these errors and restated the audited financial statements for the year ended September 30, 2008.

The net effect of the restatement on the audited financial statements of the company as to September 30, 2008 is as follows:

The carrying value of the debt portion and equity portion of the Convertible Debenture was adjusted to its fair value.

The carrying value of portion of the warrants issued in connection with the Convertible Debenture was moved from the convertible debenture to the Equity.

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Summary of restatement-Consolidated Balance sheet

	Originally Reported September 30, 2008	Restatement	Restated Amount September 30, 2008
ASSETS			
Deferred financing costs	568,596	(568,596)	-
Total Assets	568,596	(568,596)	-
LIABILITIES			
Convertible debenture	3,165,517	(978,539)	2,186,978
SHARE HOLDERS EQUITY			
Warrants	876,876	392,297	1,269,173
Convertible debenture	795,337	(27,055)	768,282
Deficit	(13,106,952)	44,701	(13,062,251)
Total liabilities and shareholders equity	(11,434,739)	409,943	(11,024,796)
	(8,269,222)	(568,596)	(8,837,818)

The interest expense on the 2008 Debentures was adjusted as to the notional interest representing the accretion of the carrying value of the debenture. Interest expense and net loss is decreased by the interest expense restatement. As there were no other income statement effects, this figure carries to the balance sheet as an adjustment to deficit.

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Summary of restatement-Consolidated Statements of Operations and Deficit

	Originally Reported September 30, 2008	Restatement	Restated Amount September 30, 2008
Interest on debenture	702,031	(44,701)	657,330
Net Income (loss) effect for the year ended September 30, 2008		<u>(44,701)</u>	
Basic and diluted (loss) earnings per share	\$ (0.05)	\$ (0.00)	\$ (0.05)

Summary of restatement-Consolidated Statements of Comprehensive Income

	Originally Reported September 30, 2008	Restatement	Restated Amount September 30, 2008
Net Loss	(3,870,991)	44,701	(3,826,290)
Net Comprehensive income (loss) effect for the year ended September 30, 2008		<u>44,701</u>	

There was no change to the statement of cash flows, as the interest expense adjustment related to the notional interest representing the accretion of the carrying value of the debenture is a non-cash item.

Summary of restatement-Consolidated Statements of Cash Flows

	Originally Reported September 30, 2008	Restatement	Restated Amount September 30, 2008
Loss from continuing operations	(3,870,991)	44,701	(3,826,290)
Amortization of deferred financing charges	362,149	(44,701)	317,448
Net cash inflow (outflow)		<u>-</u>	

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the Company's consolidated financial statements is based on the selection and application of significant accounting policies, some of which require management to make significant estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis,

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the Company evaluates its estimates, including those related to revenue, bad debts, investment tax credits, intangible assets, goodwill and income taxes. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control.

The Company believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition

The Company's revenue is derived from product sales, support contracts and services. The Company recognizes revenue in accordance with EIC 141, "Revenue Recognition", and EIC 142, "Revenue Arrangements with Multiple Deliverables".

The Company derives non-recurring revenue from the sale of vehicle tracking hardware and software as well as professional services associated with installation and customizing its product. Recurring, subscription revenue is derived from location-based and telematics hardware and software.

Revenue from hardware and software sales is recognized when persuasive evidence of an arrangement exists, the fee is fixed and determinable, the hardware and software is shipped and when management has determined that the revenue is collectible. The Company does not offer product warranties other than the warranties offered by the manufacturer, hence it does not provide for the estimated cost of product warranties upon shipment. When other significant obligations remain after products are delivered, revenue is recognized only after such obligations are fulfilled. Shipping and handling costs are included in cost of goods sold.

Recurring revenue from subscription services is recognized on a monthly basis as earned when all significant contractual obligations have been satisfied, the sales price is fixed and determinable and collection is reasonably assured. Certain customer contracts provide for upfront service contract payments. These subscription service fees are deferred and revenue is recognized over the term of the contract.

Finance income related to the sales-type lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

When more than one product or service is provided to a customer under one arrangement the Company allocates revenue to each element of the arrangement based on the relative value of the elements. For arrangements with multiple elements, revenue is allocated to each element of a transaction based upon its fair value. The objective and reliable evidence of fair value for all elements of an arrangement is based upon the normal pricing practice for the product and services when sold separately.

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Investment tax credits

Investment tax credits arising from qualifying scientific research and experimental development tax credits are recorded as a reduction of operating expenses or capital assets when there is reasonable assurance that the credits will be available to be utilized.

Goodwill

The excess of the purchase price over the fair value of the net identifiable assets is recorded as goodwill. Effective October 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants relating to accounting for goodwill, prospectively. Under the new standard, goodwill and other intangible assets with indefinite lives are not amortized, but instead are evaluated annually for impairment. Accordingly, there is no amortization of goodwill included in these financial statements. Management believes that the unamortized cost will be recovered through future profitable operations.

The guidance requires that an impairment test date be selected where a two-step process will be performed on an annual basis. The Company has chosen September 30 to be its annual impairment testing date. On September 30, 2008, the Company performed the impairment test and determined that there was no impairment of the recorded goodwill.

RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS:

Risk Factors

In addition to the other information contained in this Report, the following factors should be carefully considered in evaluating our business and prospects.

The risks and uncertainties described below are intended to be ones that are specific to us or our industry and that we deem material, but they are not the only ones that we face.

Potential Acquisitions and Investments

The Company expects to continue to acquire or invest in businesses, products and technologies that expand or complement the Company's current business or products. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate revenue, income or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

Volatility in stock price

The market price of the Company's Common Shares can be highly volatile and subject to fluctuations. These fluctuations in market price may continue due to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets

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have experienced significant price fluctuations that have particularly affected the market price of equity securities of many high technology companies, and that have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. These fluctuations may be exaggerated if the trading volume of our common stock is low.

Foreign currency risk

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar, the U.S. dollar, and the Euro. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The types of foreign exchange risk can be categorized as follows:

Translation exposure

All of the Company's foreign operations are considered self-sustaining. Accordingly, assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. Foreign currency based earnings are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Foreign currency risks arising from the translation of assets and liabilities of foreign operations into the Company's functional currency are generally not hedged; however, the Company may decide to hedge this risk under certain circumstances.

Transaction exposure

The Company, through its subsidiaries, generates significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. Currently company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future.

Environment and market risk

Sales are subject to some conditions outside the Company's control such as economic cycles, the growth of complimentary businesses such as corporate networks and software applications or events in specific industry verticals. The Company is a pioneer in the Telematics security and surveillance market, which is an evolving business. The liquidity and financial position of the Company is a function of the decisions it will have to make to successfully compete in these markets.

Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to us, or to our industry, may adversely affect our finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hurt our ability to access credit when it is needed or rapid changes in foreign exchange rates may adversely affect our financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base. As a result, these customers may need to reduce their purchases of our products, or we may experience greater difficulty in receiving payment for the products

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that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended September 30, 2008, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of September 30, 2008 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

MI 52-109 also requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at September 30, 2008 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of September 30, 2008.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially effected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

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FORWARD LOOKING STATEMENTS

Certain statements in this Management Discussion and Analysis (“**MD&A**”) may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized above under the heading “Risk Factors” and in documents filed with the securities regulatory authorities. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements, management’s discussion and analysis and all the information contained in this quarterly report are the responsibility of management and have been reviewed by the audit committee and approved by the Board of Directors. The consolidated financial statements and management’s discussion and analysis have been reviewed by the Company’s auditors. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

Management has prepared these financial statements and all other information in accordance with accounting principles generally accepted in Canada. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment. In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial

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records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee, which consists of members of non-managing directors.

FURTHER INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com,

CERTIFICATION

We have complied with the multilateral instrument 52-109