BSM TECHNOLOGIES INC.

Management Discussion and Analysis

Third quarter ended June 30, 2008

This document is dated August 29, 2008

This discussion and analysis of financial condition, results of operations and cash-flows should be read in conjunction with the unaudited consolidated financial statements and related notes for the three and nine months ended June 30, 2008, and in conjunction with the audited consolidated financial statements and the management discussion and analysis for the year ended September 30, 2007 as set out in the Company's annual report.

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 five 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, hardened, 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 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). Those arrangements in which customers contract directly with carriers for the wireless airtime component of its service is described as "unbundled". Conversely, arrangements in which the Company contract for the wireless airtime portion is described as "bundled". The nature of the Company's relationship with the carriers dictates whether it will be entering into a bundled or unbundled arrangement with the customer. Bundled arrangements could be advantageous to customers who do not have direct contracts with the wireless/satellite carriers as these customers under the bundled arrangement can take advantage of the Company's wholesale contract rate with these carriers. Selection of the appropriate protocol is related primarily to optimal wireless coverage for a specific customer area of operation. Additionally, the company is indifferent as to what protocol is selected in that it has priced its services such that a similar contribution to gross profits results from either arrangement.

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 it 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 Telematics business. To execute this mission the company, on January 31 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 support 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 & 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. Netistix's hardware and its integrated firmware also implement a powerful protocol to efficiently and effectively transmit vehicle related information to its central servers. Development of these technologies requires

extensive man hours of planning, testing and refinement. Netistix technology and intellectual property is directly relevant to many of BSM current and future clients.

In exchange, the Company issued 7,142,857 common shares of the Company, valued at $1,000,000. One half of the share consideration was issued on closing and the balance ('Escrowed Shares") is subject to a voluntary escrow which will be released on receipt of notice of assessment from Canada Revenue Agency and the Department of Finance Canada determining the amount of the SRED Claim. The number of Escrowed Shares to be released shall be calculated by determining 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 (the "Actual Net Working Capital"). If the Actual Net Working Capital is positive, all Escrowed Shares shall be released.

The BSM securities issued will be restricted from trading until April 25, 2008. The legal's and other acquisition costs 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

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 to its network of international value added resellers ("VARs) and receives monthly recurring revenue from a subscriber base of more than 5,000 devices in active service. Sectrack has more than 17,000 registered units in service deployed globally.

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 Escrowed funds are to be released subject to Sectrack achieving certain revenue and earning targets ("the contingencies") in the twelve months following the acquisition of Sectrack by BSM. . At the date of this report this contingency has not been resolved and therefore future adjustments may be required to the purchase price and 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

BSM operates in a highly competitive environment. BSM's key competitors are Qualcom Incorporated, AtRoad Inc., Webtech Wireless Inc. and AirIQ Inc. Qualcom distributes a trading and messaging product called the Omni Express, which provides a server-based solution for long haul trucking. AtRoad provides a vehicle tracking and messaging service on a web-based solution called FleetASAP. Webtech provides a vehicle tracking and messaging service on a web-based solution called Quadrant. AirIQ's product, OnBoard, provides vehicle-tracking for rental fleets and trailers through a web-based solution.

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

Noteworthy Highlights for the three months ended June 30, 2008

- Increased Service revenue $ 300,308 or 42% quarter over quarter to $ 1,007,095.
- Increased Gross Profit $ 153,385 quarter over quarter to $ 1,086,562.
- Increased Gross Margin from 40% to 47% of Sales.

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 June 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. The Company's revenues and operating results may vary significantly from quarter-to-quarter because of a number of other factors, many of which are outside the Company's control. These factors include the timing of product sales, which may result in large sales in any one-quarter due to the relatively unpredictability in the number and timing of hardware sales, length of the sales cycle, delays in the installation process etc. As a result, period-to-period comparisons may not be meaningful with respect to the past operations of the Company nor are they necessarily indicative of the future operations of the Company. The increase in operating expenses is largely attributed to certain one-time expenses and additions that were made to the sales, research and development, and operations functions. Management believes these additions are necessary to support the expected future growth sales.

QE	Revenue	Gross Profit	Operating expeneses	Other expenses (income)	Loss from continued operations	Loss for the period	Loss per share basic and diluted
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	181,930	(880,860)	(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)
September 30, 2006	1,454,082	687,959	949,904	105,141	(367,086)	(367,086)	(0.01)

Segmented Information

The Company has sales offices in Canada, United States of America and Belgium.

Revenues can be split into the two categories of recurring service revenues and non recurring hardware and software sales.

Sales by Geographic segment are as follows:

	Three months ended		Nine months ended	
	June 30, 2008	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Canada	$ 962,790	$ 621,931	$ 2,646,510	$ 2,388,081
United States of America	269,030	268,405	675,659	881,780
Asia	488,371	419,629	966,929	1,041,470
South America	150,041	529,709	565,122	844,866
Europe	173,201	216,687	567,689	332,865
Africa	184,779	152,283	398,336	203,300
Australia	59,483	150,527	188,532	189,092
	$ 2,287,695	$ 2,359,171	$ 6,008,777	$ 5,881,454

Sales by category are as follows:

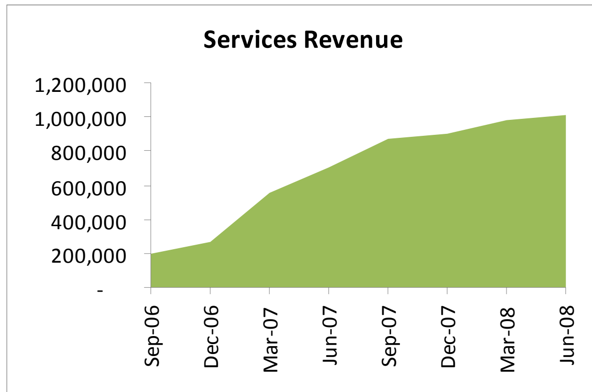
	Three months ended		Nine months ended	
	June 30, 2008	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Recurring service revenue	$ 1,007,095	$ 706,787	$ 2,896,013	$ 1,539,827
Non recurring hardware and software revenue	1,280,600	1,652,384	3,112,764	4,341,627
	$ 2,287,695	$ 2,359,171	$ 6,008,777	$ 5,881,454

Assets	**June 30, 2008**	**September 30, 2007**
Canada	$ 8,909,576	$ 5,060,662
Belgium	873,690	782,483
	$ 9,783,266	$ 5,843,145

RESULTS OF OPERATIONS

Revenues:

Revenue for the three months ended June 30, 2008 decreased by $ 71,476 or 3.03% to $ 2,287,695 from $ 2,359,171 for three months ended June 30, 2007. Revenue for nine months ended June 30, 2008 increased by 127,323 or 2.16% to $ 6,008,777 from $ 5,881,454 for the nine months ended June 30, 2007.

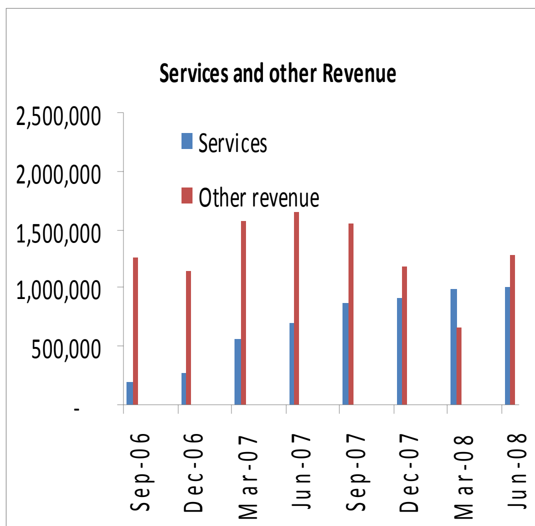


Decrease in overall revenue is attributed to lower hardware revenue caused by lower sales to South American customers. The Company derives its revenue from the sale of its products, software licenses (self-hosted applications), services and resale of third party products and services. Services revenue 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 three months ended June 30, 2008 increased by $ 300,308 or 42.49% to $ 1,007,095 from $ 706,787 for the three months ended June 30, 2007. Service revenue for the nine months ended June 30, 2008 increased by $1,356,186 or 88% to $ 2,896,013 from $ 1,539,827 for the nine months ended June 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, (ii) additional billable service features such as data bus integration, and (iii) the acquisition of Sectrack. 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.

The other revenue for the three months ended June 30, 2008 decreased by $ 371,784 to $1,280,600 from $ 1,652,384 for the three months ended June 30, 2007. Decrease in other revenue is attributed to lower sales to South American customers .The other revenue for the nine months ended June 30, 2008 decreased by $ 1,228,863 to $3,112,764 from

$ 4,341,627 for the nine months ended June 30, 2007.

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

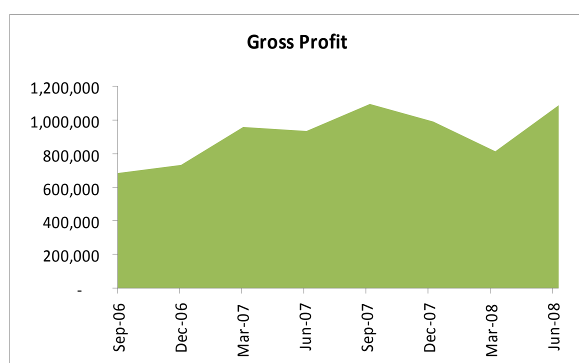
The Company business outside of North America ('International Business") has increased due to acquisition of Sectrack.

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 three months ended June 30, 2008 increased by $ 153,585 to $1,086,562 or 47.50% of the revenue from $932,977 or 39.55% of the revenue for the three months ended June 30 2007. The gross profit for the nine months ended June 30, 2008 increased by $ 264,045 to $ 2,892,692 or 48.14% of the revenue from $2,628,647 or 44.69% of the revenue for the nine months ended June 30, 2007.

The increase in quarterly 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.



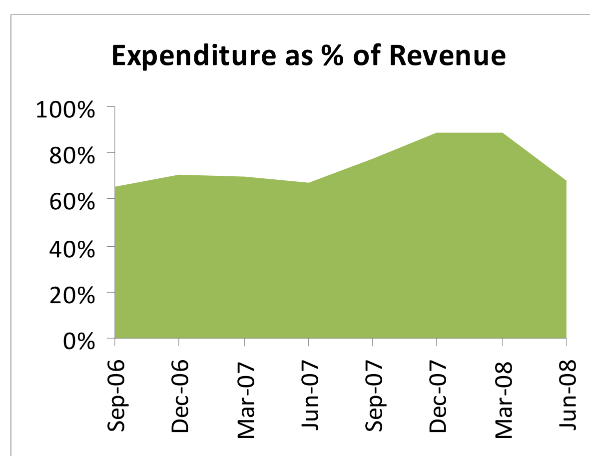
Gross profit margin for the three months ended June 30, 2008 was 47.50%, representing an increase over the reported gross profit margin of 39.55% for the three months ended June 30, 2007. The increase in total gross profit margins was due primarily to (i) reduction in cost of the hardware devices, (ii) 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:

Overall, operating expenses before interest expenses decreased by $ 29,015 to $1,559,793 for the three months ended June 30, 2008 from $ 1,588,808 for the three months ended June 30, 2007 and for the nine months ended June 30, 2008 increased by $ 889,432 to $4,951,703 from $ 4,062,271 for the nine months ended June 30, 2007. The quarter over quarter decrease in operating expenses was the result of overall costs reduction initiative despite additions that were made to the research and development, and operations functions caused by integration of Netistix staff. Management believes that operating expenses have now stabilized and except for sales and marketing expenses, the operating expenses should not materially change going forward. The following table and graph summarize quarterly expenses and expenses as a percentage of revenue from July 1, 2006.

QE	Expeneses	% of Revenue
Sep-06	949,904	65%
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%



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.

General and Administrative Expenses

General and administrative Expenses for the three months ended June 30, 2008 decreased by $ 22,973 to $713,245 or 31% of revenue from $736,218 or 31% of revenue for the three months ended June 30, 2007. The quarter over quarter overall decrease is attributed to legal fees incurred in three months ended June 30, 2007 to maintain the injunction against the supplier of Sectrack which was obtained in June 2007 amounting to $130,000 The injunction was successfully obtained and was necessary to protect the Company's long-term business interests. Salaries and consultants fees due to integration of Netistix staff and increased size of operations, increased by $39,530 to $ 374,244 from $ 334,714 for the three months ended June 30, 2007, legals, audit fees and other public company related expenses decreased by $130,000 to $52,322 from $182,322 for the three months ended June 30, 2007, and other expenses in this category due to integration of Netistix and increased size of operations increased by $ 67,497 to $286,679 from $219,182 for the three months ended June 30, 2007. The Company anticipates that operating expenses can be reduced upon fully integrating the acquired businesses with the Company.

General and administrative Expenses for the nine months ended June 30, 2008 increased by $ 927,622 to $2,625,868 or 44% of revenue from $1,698,246 or 29% of revenue for the nine months ended June 30, 2007.

Research and Development Expenses

Research and Development Expenses decreased by $ 74,078 to $280,864 or 12% of revenue for the three months ended June 30, 2008 from $ 354,942 or 15% of revenue for the for the three months ended June 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 three months ended June 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 for the nine months ended June 30, 2008 decreased by $ 60,179 to $872,484 or 15% of revenue from $932,663 or 16% of revenue for the nine months ended June 30, 2007.

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.

Sales and Marketing Expenses

Marketing expenses includes the salaries and commissions of sales staff, advertising, promotions, and other attendant sales costs such as travel etc. Marketing expenses increased by $ 9,613 to $514,749 or 23% of revenue for the three months ended June 30, 2008 from $ 505,136 or 21% of the revenue for the for the three months ended June 30, 2007. The decrease in Salaries of $ 94,926 was offset by increase of $ 70,985 in Agents compensation and increase of $33,554 in travel and other attendant cost in this category. 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. Additions to sales infrastructure typically lead to a time gap between actual expenditures and the eventual sales that result. Marketing expenses for the nine months ended June 30, 2008 decreased by $ 98,340 to $1,380,154 or 23% of revenue from $1,478,494 or 25% of revenue for the nine months ended June 30, 2007.

Interest expenses

Interest expense for the three months ended June 30, 2008 was $5,236 (2007-$2,062).

Interest portion of capital lease expense for the three months ended June 30, 2008 was $3,707 (2007-$4,100).

Interest on convertible debenture:

Interest on the convertible debentures for the three months ended June 30, 2008 was $121,060 (2007-$118,355).

Depreciation and Amortization

Amortization of capital assets for the three months ended June 30, 2008 was $50,935 compared with $ 36,925 for the three months ended June 30, 2007. Acquisition of computer equipment for enhancing the Company's services offerings on a capital lease in Fiscal 2008 (for thirty six months term) accounted for the quarterly change. The Company plans to increase the spending of capital assets acquisition in order to continue to enhance its service offering to existing and future customers. Part of this capital assets acquisition will be by way of lease.

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.

Net Loss

Net loss for the three months ended June 30, 2008 was $603,234 or $0.01 per share on a diluted basis compared with a net loss of $780,348 or $0.01 per share on a diluted basis for the for the three months ended June 30, 2007. Net loss for the nine months ended June 30, 2008 was $ 2,500,185 or $0.03 per share on a diluted basis, compared with $ 1,777,958 or $0.03 per share on a diluted basis, for the nine

months ended June 30, 2007. The net loss per share for the three months ended June 30, 2008 was also impacted by an increase in weighted average number of common shares from 67,269,869 to 85,009,830.

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 $77,460 to finance operating activities during the three months ended June 30, 2008 including $455,347 in operating losses offset by a decrease of $ 377,887 in non cash operating working capital. This compares with cash used in the three months ended June 30, 2007 of $ 628,881 - $707,627 to finance operating losses offset by a decrease of $78,746 in non cash operating working capital. Increased accounts payable, and lower Inventory relative to increase in Account Receivable accounted for the changes in the non-cash working capital.

Accounts receivable were $1,269,889 as at June 30, 2008 compared with $1,099,659 at June 30, 2007. 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. Sales in the last month of the quarter amounted to 36% of the total sales for the quarter primarily accounts for the receivable balance as at June 30, 2008. The inventory was $ 409,148 as at June 30, 2008 compared with $ 458,149 as at June 30, 2007. The Company has recently undertaken initiatives to improve its product delivery processes and as a result, increased its inventory levels to ensure seamless order fulfillment. The Company balances its requirement to provide seamless order delivery with its intent to maximize its inventory turns. Inventory turnover for the three months ended June 30, 2008 was 16 days (three months ended June 30, 2007, -17 days) and for the nine months ended June 30, 2008 was 19 days (nine months ended June 30, 2007-21 days).

At June 30, 2008 the working capital was $ 416,284 (June 30, 2007- Working capital $ 892,745). Working Capital has been calculated by netting current assets and current liabilities, and excluding deferred revenue which is a non cash item. The increase in working capital relative to immediately preceding quarter is caused by (i) completion of private placement of 2008 Convertible debentures financing of $2.35m and (ii) replacement of $800,000 of 2006 Convertible debenture with a Reconstituted Debentures.

On June 30, 2008 (as to $2,350,000) and subsequent to the quarter end (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 will be 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 will be 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 Convertibles Debenture) they held previously.

In connection with the 2008 Convertible Debentures financing and Reconstituted Debentures (hereinafter collectively called "**2008 Debentures**") , the Company incurred costs of $104,537 that were charged to deferred financing and are being amortized over the term of the 2008 Debentures.

During the three months ended June 30, 2008, the company recovered loan advanced of $ 12,587 from the former President & CEO of the Company and companies under his control (three months ended June 30, 2007-Nil).

The Company maintains a $200,000 (June 30, 2007-$200,000) credit facility with a Canadian chartered bank. The balance outstanding at June 30, 2008 was $199,264 (June 30, 2007 $196,759). 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.

Capital expenditures by cash for the three months ended June 30, 2008, were $10,220 compared with $ 26,195 for the three months ended June 30, 2007. The Company anticipates increases in capital

expenditures and lease commitments with its expected growth in operations and infrastructure. The Company also may establish additional operations as it expand globally.

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 $11,736,147. 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. Management believes that the strong functional and competitive capabilities of its product line will increase its revenue base therefore allowing it to achieve profitability. Funding of the Company's current operations and its ongoing growth activities are dependent on revenue growth and future financing.

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 three months ended June 30, 2008, the Company paid $54,826 to a company under Mr. Cirella's control as management fee under a Management contract between the Company and Mr. Cirella (three months ended June 30, 2007- $ 57,372).

   During the three months ended June 30, 2008, the company had received loan repayment $ 12,587 from the director and former President & CEO of the Company and companies under his control (three months ended June 30, 2007-loan advance of $Nil).

i) 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 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 three months ended June 30, 2008, the Company provided $22,500 to the related parties as interest on the 2006 Convertible debenture and 2008 Convertible debenture (three months ended June 30, 2007-$22,500).

During the three months ended June 30, 2008, the Company provided for $25,000 as amount payable to ANR Solutions Inc, for consulting services provided by them. As at June 30, 2008, this amount was unpaid (three months ended June 30, 2007-$Nil). During the three months ended June 30, 2008, the Company paid $ 7,291.67 (three months ended June 30, 2007-$Nil) to a company under Mr. Aly Rahemtulla control as management fee for his new role as the new CEO of the company with effect from 16th June, 2008.

COMMITMENTS

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

Year	Amount
2008	58,300
2009	236,705
2010	245,881
2011	181,397

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

Year	Amount
2008	29,176
2009	116,706
2010	60,073
	$205,955

Less: current portion:	(116,706)
	$ 89,249

SUBSEQUENT EVENTS

On July 2, 2008, the Company closed $300,000 of the balance amount of the total $2,650,000 Convertible Debentures (the "2008 Convertible Debentures") financing. The details of the 2008 Convertible debentures are described in detail in note 8 to these financial statements.

From the proceeds of the 2008 Convertible debenture financing, $500,000 were used to repay $500,000 of the 2006 Convertible Debentures with the balance used for working capital.

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 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 subsequent to the quarter end (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 will be 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 will be 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.

In connection with the 2008 Convertible Debentures financing and Reconstituted Debentures (hereinafter collectively called "2008 Debentures") , the Company incurred costs of $104,537 that were charged to deferred financing and are being amortized over the term of the 2008 Debentures.
The warrants issued with the 2008 Debentures (as to $2,350,000) and the Reconstituted Debentures have been valued at $486,046 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. The fair value of the warrants, being $486,046 was charged to other paid-in capital and 2008 Debentures and is accreted to interest expense over the term of the loan consistent with the classification of the debt and equity components of the 2008 Debentures.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares. As at June 30, 2008 there were 85,557,730 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 June 30, 2008, 1,465,713, of the shares have been released from escrow.

As at June 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.

On January 23, 2008, 8,206,664 warrants issued pursuant to January 2006 financing with an average exercise price of $0.20 per common share expired unexercised.

As of June 30, 2008, the Company had outstanding 64,414,089 warrants to acquire common share at a weighted average exercise price of $0.13 per share.

As of June 30, 2008, the Company had 207,631,476 common shares issued and reserved for issuance on exercise of stock options, warrants, convertible debenture conversion and compensation options.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTLOOK:

The Company continues to focus its attention on new emerging markets that will position the company in the future. The emerging Telematics market continues 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.

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, 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 generates revenue from the sale of its AVL products, which consist of hardware and software components. The Company records revenue on these sales when a signed contract has been executed, the product is delivered, there are no significant uncertainties surrounding product acceptance, the fees are fixed and determinable and collection is reasonably assured. 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.
The Company generates recurring revenue from several sources, including the application services fee and the sale of support services for its AVL products. The Company also generates non-recurring revenue from consulting fees, training fees, installation charges and training related to its AVL products. Revenue from services is recognized when a signed contract has been executed, the services have been performed, fees are fixed and determinable, collectability is reasonably assured, and when all significant obligations have been filled. For services that extend over a period of time, revenue is recognized

ratably over the term of the contract. Funds received in advance of the delivery of these services are recorded as deferred revenue

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, 2007, the Company performed the impairment test and determined that there was no impairment of the recorded goodwill. As a result, the second step was not required.

CHANGE IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007:

a) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

b) Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

   The additional disclosures, required as a result of the adoption of Sec 3862 and 3863, have been included in Note 16, Financial Instruments.

c) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of Sec 1535, have been included in Note 17, Capital management in the accompanying financial statements.

RISKS AND UNCERTAINITIES 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 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 operates internationally. Accordingly, a portion of our financial resources is held in currencies other than the Canadian dollar. Our policy with respect to foreign currency exposure is to manage financial exposure to certain foreign exchange fluctuations and to attempt to neutralize the impact of foreign exchange movements where possible.
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.

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, 2007, 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, 2007 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. As there have been no subsequent changes to these controls and procedures, 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 June 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, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of September 30, 2007.

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.

FORWARD LOOKING STATEMENTS

The preceding discussion contains forward-looking statements that are subject to significant risks and uncertainties. A number of important factors could cause actual results to differ materially from historical results and percentages, and results anticipated by the forward-looking statements contained in the preceding discussion. Such factors and risks include, but are not limited to, intense competition and rapid change in the enterprise software industry, including price and product feature competition; the introduction of new products by existing or new competitors; the economic environment; dependence on distributors and the emergence of new distribution channels; the timing and customer acceptance of new or upgraded products; and the ability to develop, market, support and acquire new products in an environment of rapidly changing technology. Readers should carefully review the risks described herein and in the other documents the Company files from time to time with the Ontario Securities Commission.

MANAGEMENT'S RESPONSIBILITY FOR FINANICAL 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 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