BSM TECHNOLOGIES INC.

Management's Discussion and Analysis

For the three months ended December 31, 2009 and 2008

This document is dated February 25, 2010

This discussion and analysis of operating results and financial position of the company should be read in conjunction with our unaudited financial statements for the three months ended December 31, 2009 and the related notes herein, and in conjunction with the audited consolidated financial statements and the management discussion and analysis for the year ended September 30, 2009, which are prepared in accordance with Canadian generally accepted accounting principles.

Forward looking statements:

Certain statements in this Management's 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.

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 offices in Woodbridge, Ontario; Laval, Quebec; 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 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 cellular or satellite networks.

The Company's solutions provide fleet managers with real-time, covert knowledge designed to monitor and clearly report on unauthorized entry, trip deviations, and driver behavior. This detailed knowledge reduces incidences of theft and 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 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 by logging onto BSM's website –an Application Service Provider model ("ASP").

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

The Company's services provide electronic dispatch, alarm notification, and both 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.

2.2 Vision and strategy:

The Company positions its software and associated hardware technology at the core of fleet management operations enabling integrated data-centric convergence that in turn delivers substantial ROI to its customers. The Company focuses its development efforts to entrench its technologies within its enterprise customers through ease of integration with both in-vehicle and application systems. This positions the Company as the key link between customers' fleets and the systems they use to run their businesses. The Company gains a further competitive advantage by delivering the level of data security that becomes an important requirement of such data-centric convergence of technologies. The Company's value proposition and sales approach focuses on key business problems: cost control, compliance and carbon emission control. The Company's technology facilitates the convergence of fuel management, work flow, planning & compliance, driver communication, and engine diagnostics – all within the framework of a secure environment. The Company builds its sales and marketing footprint globally around its core technology, and positions its offerings to the large enterprise.

Activities that support vision and strategies include:

2.2.a Building integrated solutions that differentiate BSM from its competitors:

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 installed in a vehicle and communicates with the server infrastructure. The research and development activities include schematic capture, PCB design and manufacture, firmware programming, compiling and deployment activities, software development & 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.

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.

2.2.b Focussing on sales channels:

The Company's products address the rapidly growing market for wireless fleet management and fleet diagnostics, tools used by commercial fleet operators. The Company sells its fleet management and fleet diagnostic products through a direct sales force and through partnership channels. The Company will concentrate on delivering appropriate technologies and providing the necessary support to drive a successful channel sales strategy.

2.2.c Improving operational efficiencies:

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

With respect to outsourcing, currently the 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 performed by BSM staff. As volumes grow, it is expected that 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, increasing standardization and reducing custom processes.

2.2.d Building international distribution capabilities:

The Company's fully owned subsidiary, SecTrack NV, based in Antwerp Belgium, is a wholesaler of Inmarsat technology, as well as related services and support. SecTrack provides its global customers with one-stop shopping for hardware and network services. The Company has an established and broad dealer and partner network, with more than 60 value added resellers in 40 countries around the globe. With a commitment to continue to offer new products and services to its customers, SecTrack is positioned to move forward as a global distribution channel for the Company's full product portfolio.

3. Capability to deliver results:

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 Sentinel FM system was designed with growth in mind. As more customers are added, the capacity of BSM Sentinel FM is easily expanded through simple expansion of hardware.
- Accessibility and Reliability: Sentinel FM 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 Sentinel FM services from anywhere through the Internet.
- Security: BSM Sentinel FM provides its services in a secure environment and is protected physically; by secure data-center facilities and logically; via firewalls, intrusion prevention systems as well as other electronic measures.

4. Results from operations:

Highlights for the three months ended December 31, 2009:

- 35% increase in revenue
- $ 765,607 increase in gross profit
- $ 2,076,594 increase in working capital

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 December 31, 2009. 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.

QE	Revenue	Gross Profit	Operating expenses(1)	Other expenses (income)(2)	Loss for the period	Loss per share basic and diluted
Deember 31, 2009(4)	$ 3,505,130	$ 2,072,243	$ 2,205,534	$ 102,763	$ (236,054)	$ (0.001)
September 30, 2009(3)	1,805,161	1,034,090	1,316,672	2,129,576	(2,412,158)	(0.026)
June 30, 2009	1,960,178	1,030,445	1,042,605	382,380	(394,540)	(0.005)
March 31, 2009	2,769,010	1,368,850	1,223,634	319,406	(174,190)	(0.002)
December 31, 2008	2,593,944	1,306,636	1,163,292	367,018	(223,674)	(0.003)
September 30, 2008	1,819,046	860,341	1,631,540	554,905	(1,326,104)	(0.020)
June 30, 2008	2,287,695	1,086,562	1,559,793	130,003	(603,234)	(0.010)
March 31, 2008	1,643,674	813,144	1,512,074	181,931	(880,861)	(0.010)

(1) Operating expenses including amortization of property and equipment.
(2) Includes non cash charges such as notional charges debentures interest , notional charges preferred shares, amortization of intangible assets, and loss on extinguishment of convertible debentures.
(3) Includes results of Datacom from September 25, 2009 to September 30, 2009
(4) Includes results of Datacom for the full quarter.

Segmented Information:

(a) Revenue by geographic segment, based upon customer location, is as follows:

	December 31, 2009	December 31, 2008
Canada	$ 2,652,959	$ 1,204,404
United States of America	291,903	263,441
South America	85,376	122,387
Asia	219,368	393,844
Europe	134,817	201,479
Australia	15,206	22,508
Africa	105,501	385,881
	$ 3,505,130	$ 2,593,944

(b) Revenue by product category is as follows:

	December 31, 2009	December 31, 2008
Services	$ 2,004,122	$ 1,163,102
Hardware and software	1,501,008	1,430,842
	$ 3,505,130	$ 2,593,944

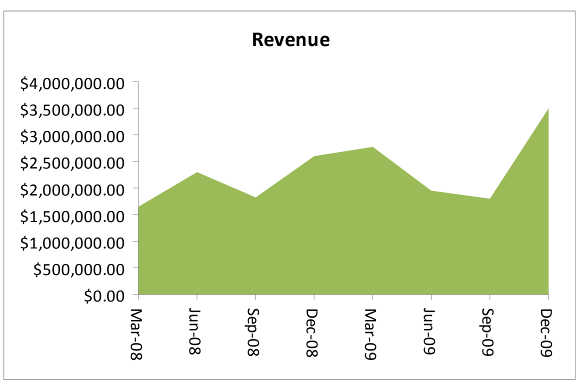
(c) Assets:

	December 31, 2009	September 30, 2009
Canada	$ 10,041,753	$ 10,700,277
Belgium	620,014	569,455
	$ 10,661,767	$ 11,269,732

Results of operations:

Revenues:

Revenue for the three months ended December 31, 2009 increased by $911,186 or 35% to $ 3,505,130 from $ 2,593,944 for three months ended December 31, 2008.

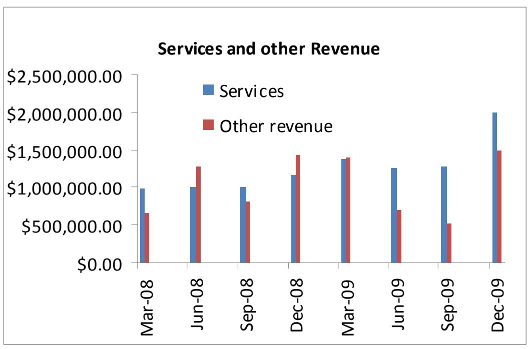


Increase in quarterly revenue is attributed to the acquisition of Datacom in Fiscal 2009, and increased service revenue from the subscriber base. The Company derives its revenue from the sale of its products, software licenses (self-hosted applications), services and resale of third party products and services. Services revenue includes monthly ASP service fees, monthly alarm monitoring fees, and resale of cellular & satellite data.

The Company enters into contracts with its customers usually ranging from 12 to 36 months or beyond. Services 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 December 31, 2009 increased by $ 841,020 or 72.3% to $ 2,004,122 from $ 1,163,102 for the three months ended December 31, 2008.



The increase in quarterly service revenue is attributable to the acquisition of Datacom in Fiscal 2009, and the growth in the installed base of subscribers to the Company's Sentinel services. 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.

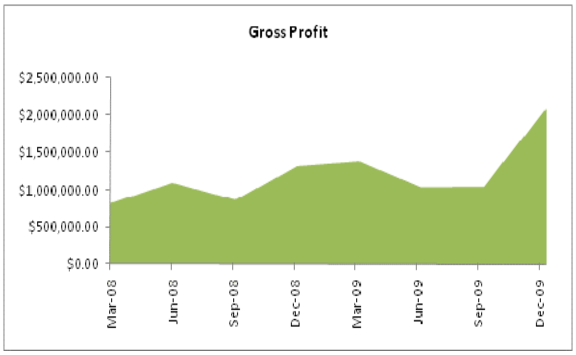
Hardware and software revenue for the three months ended December 31, 2009 increased by $70,166 to $1,501,008 from $ 1,430,842 for the three months ended December 31, 2008. The increase was due to the acquisition of Datacom in Fiscal 2009.

In response to the economic situation and competitive environment, the Company implemented a new "all-inclusive" price plan during the first quarter of Fiscal 2009 that allows customers to pay a fixed monthly rate, if they wish to cover the cost of equipment and service for a three-year period. This decision, which will continue to generate revenues, had a very positive impact on the three months ended December 31, 2009 revenue.

The Company's goal going forward is to leverage the success of the Sentinel FM suite of products and services in Canada and work with its channel partners 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 value added resellers, 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 December 31, 2009 increased by $ 765,607 to $2,072,243 or 59% of the revenue from $1,306,636 or 50% of the revenue for the three months ended December 31, 2008.



The increase in quarterly total gross profit was primarily due to the acquisition of Datacom in Fiscal 2009, and increase in higher services revenue, which has higher margins, a result of the growth of the services subscriber base. The Management expects that over time services revenues will represent a larger percentage of total revenue. Gross profit margin for the Company will also vary depending on the mix of sales in the period.

Expenses:

Overall operating expenses before interest expense, notional charges Preferred shares, and amortization of intangible assets, increased by $ 1,042,242 to $2,205,534 or 63% of the revenue for the three months ended December 31, 2009 from $1,163,292 or 45% of the revenue for the three months ended December 31, 2008. The quarter over quarter increase in operating expenses before interest expense, notional charges Preferred shares, and amortization of intangible assets was due to the acquisition of Datacom in Fiscal 2009.

Marketing, Advertising and Promotion Expenses

Marketing, advertising and promotion expenses include the salaries and commissions of sales staff, advertising, promotions, and other costs such as travel. These expenses increased by $ 224,223 to $611,370 or 17% of revenue for the three months ended December 31, 2009 from $ 387,147 or 15% of the revenue for the three months ended December 31, 2008. The quarter over quarter increase is due to the acquisition of Datacom in Fiscal 2009.

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.

Research and Development Expenses:

Research and Development Expenses increased by $ 135,698 to $352,319 or 10% of revenue for the three months ended December 31, 2009 from $ 216,621 or 8% of revenue for the three months ended December 31, 2008. The increase in research and development expenses was due to the acquisition of Datacom in Fiscal 2009.

The Company expects that in the future its expense in this category will increase due to integration of its acquired technologies. The Company believes that its expected increase in this category will lower the existing manufacturing costs and add additional product and services features that will allow the Company to increase its revenue and margins 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.

General and Administrative Expenses:

General and administrative expenses for the three months ended December 31, 2009 increased by $ 677,071 to $1,203,335 or 34% of revenue from $526,264 or 20% of revenue for the three months ended December 31, 2008. The quarter over quarter increase is due to the acquisition of Datacom in Fiscal 2009.

Interest expenses:

Interest expense for the three months ended December 31, 2009 was $4,638 (three months ended December 31, 2008-$8,412).

Interest on convertible debentures:

Interest on the convertible debenture for the three months ended December 31, 2009, was $Nil (three months ended December 31, 2008-$267,911). Extinguishment of convertible debentures upon its conversion into preferred shares on September 25, 2009, accounted for the quarterly change.

Interest and other expense on the 2008 Debentures was composed of the interest calculated on the face value of the convertible debentures, and an non-cash annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded was as follows:

	December 31, 2009	December 31, 2008
Interest expense on face value	$ -	$ 120,750
Non-cash interest representing accretion	-	147,161
	$ -	$ 267,911

Notional charges Preferred shares:

For the three months ended December 30, 2009, non-cash Finance charges representing the accretion of the carrying value of the Preferred shares, of $7,422 (three months ended December 30,2008 - $Nil) has been recognized in the interim consolidated statements of operations and deficit.

Amortization of property and equipment:
Amortization for the three months ended December 31, 2009, was $38,510, compared with $ 33,260 for the three months ended December 31, 2008. The Company may have to increase the spending on property and equipment 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 three months ended December 31, 2009, was $96,945, compared with $ 90,695 for the three months ended December 31, 2008.

Investment tax credits:
The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statements of operations and deficit or a reduction of the related asset's cost for items capitalized in the consolidated balance sheets provided that a reasonable assurance over collection of the tax credits exists.

Net Loss:
Net loss for the for the three months ended December 31, 2009, was $236,054 or $0.001 per share on a diluted basis compared with a net loss of $223,674 or $0.003 per share on a diluted basis for the for the three months ended December 31, 2008. The net loss per share for the three months ended December 31, 2009 was also impacted by an increase in weighted average number of common shares from 85,359,830 to 226,952,747.

5. Liquidity and capital resources:

The Company used $856,022 to finance operating activities during the three months ended December 31, 2009, including $93,177 in operating losses and an increase of $762,845 in non cash operating working capital. This compares with cash used in the three months ended December 31, 2008 of $ 111,007, including $47,442 in operating income and an increase of $ 158,449 in non cash operating working capital.

The Company's total current assets at December 31, 2009 was $ 5,472,590 (December 31, 2008-$ 2,916,544). At December 31, 2009, the working capital was $ 1,798,080 (December 31, 2008- working capital deficiency of $ 278,514). 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 December 31, 2009, increased by $ 2,076,594 compared working capital as at December 31, 2008. The primary cause of working capital increase was acquisition of Datacom on September 25, 2009. Notwithstanding the Company's positive working capital position, the Company may require future financing in order to satisfy future growth activities.

Accounts receivable were $1,940,562 as at December 31, 2009 compared with $942,806 at December 31, 2008. The higher receivables were primarily due to the Datacom acquisition. The Company's management has reviewed its accounts receivable balances as at December 31, 2009, and believes that an adequate provision has been made for doubtful accounts. As at December 31, 2009, the net investment in sales-type leases including long term amounted to $1,093,515 (December 31, 2008- $120,304), as a result of the implementation of the new "all-inclusive" price plan during the first quarter of year ended September 30, 2009, and acquisition of Datacom.

Despite the addition of inventories due to Datacom acquisition, the inventory decreased from $ 893,582 at December 31, 2008 to $ 798,784 at December 31, 2009 as the Company sold inventory previously in stock.

As of December 31, 2009, the Company had no outstanding warrants to acquire Common shares.

In October 2009, 280,000 options to acquire Common shares at a weighted average exercise price of $0.20 per share expired unexercised.

As at December 31, 2009, total of 10,428,921 options were outstanding at a weighted average price of $0.12. These options have a weighted average life of 6.47 years.

Capital expenditures for the three months ended December 31, 2009, were $4,216 compared with $ 8,675 for the three months ended December 31, 2008. The Company anticipates increases in capital expenditures and lease commitments with its expected growth in operations and infrastructure.

6. Related Party transactions:

(a) The Company had previously identified Nick Cirella, a director and former President and CEO of the Company, 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 CICA Handbook Section 3840, Related Party Transactions. During the three months ended December 31, 2009, the Company paid $15,000 to a company under Mr. Cirella's control as consulting fees under a management consulting contract between the Company and Mr. Cirella (three months ended December 31,2008 - $15,000).

During the three months ended December 31, 2009, the Company paid $Nil to a company under Mr. Cirella's control as car allowance under a management consulting contract between the Company and Mr. Cirella (three months ended December 31,2008 - $4,500).

(b) The Company had identified (i) Onbelay Partners Ltd., a company controlled by Mr. John Bell, a director and Mr. Aly Rahemtulla, director and CEO of the Company, (ii) Onbelay Capital Inc., a company controlled by Mr. John Bell and (iii) 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.

As part of the BEST purchase agreement, on September 25, 2009, ANR Solutions Inc. acquired $111,111 face value of the 2008 Debentures from BEST.

In connection with the conversion of 2008 Convertible Debentures into Preferred shares and redemption of warrants by issuance of Common shares, on September 25, 2009, (i) Onbelay Partners Ltd. acquired an aggregate of 6,000,000 Preferred shares and 1,285,714 Common shares, (ii) Onbelay Capital Inc. acquired an aggregate of 2000,000 Preferred shares and 428,571 Common shares, and ANR Solutions Inc. acquired an aggregate of 2,222,222 Preferred shares and 984,127 Common shares.

During the three months ended December 31, 2009, the Company paid $Nil to the related parties as interest on the 2008 Convertible Debentures (three months ended December 31, 2008 - $17,500).

During the three months ended December 31, 2009, the Company paid $43,750 (three months ended December 31, 2008 - $43,750) to a company under Mr. Aly Rahemtulla's control as management fees and $4,500 (three months ended December 31, 2008 - $Nil) as car allowance for his role as the CEO of the Company.

(c) During the three months ended December 31, 2009, for board compensation, the Company provided for $7,000 (three months ended December 31, 2008 - $4,750) for Mr. John Bell, a director and Chairman of the board.

7. Commitments:

a. Operating lease:

The Company has entered into leases for premises with the following total minimum annual payments:

2010	$ 315,684
2011	214,380
	$ 530,064

b. Capital lease:

The Company entered into 36-month capital lease agreements with third parties for computer hardware. Interest expense for the three months ended December 31, 2009 of $1,021 (three months ended December 31, 2008 - $2,948) has been recognized in the un-audited consolidated statements of operations and deficit. The obligations under capital leases are secured by a lien on the equipment leased. Future minimum capital lease payments are as follows:

2010	$ 40,287
Less imputed interest	568
Present value of future minimum lease payments	39,719
Less current portion	39,719
Long-term portion of lease payments	$ –

8. Convertible debentures:

On June 30, 2008 (as to $2,350,000) and on July 2, 2008 (as to $300,000), the Company issued an aggregate principal amount of $2,650,000 convertible debentures (the "2008 Convertible Debentures"). The 2008 Convertible Debentures had a term of two years and were 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 were secured against the assets and undertaking of the Company (including security over all subsidiaries of the Company) and bore interest at the rate of 14% per year. In connection with the financing, subscribers received warrants ("2008 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 2008 Warrant was exercisable at $0.10 to acquire a further Common share for a period of two years from closing.

In connection with the issue of the 2008 Convertible Debentures, an aggregate principal amount of $300,000 convertible debentures issued by the Company on July 7, 2006 (the "2006 Convertible Debentures") were replaced with reconstituted debentures (the "Reconstituted Debentures") and warrants (the "Reconstituted Warrants") having the same terms as the 2008 Convertible Debentures and 2008 Warrants, respectively. In addition, an aggregate principal amount of $500,000 of 2006 Convertible Debentures held by certain insiders (Mr. Aly Rahemtulla, director and CEO of the Company, and Mr. John Bell, director and Chairman of the board, through companies under their control) of the Company (collectively, the "Insiders") were replaced with reconstituted debentures (the "Insider Debentures" and together with the 2008 Convertible Debentures and the Reconstituted Debentures, the "BSM Debentures") having a conversion rate of one Common share of BSM for each $0.07 of debt converted and the Insiders also received warrants (the "Insider Warrants" and together with the Reconstituted Warrants, the "BSM Warrants") equal in number to the number of Common shares of BSM convertible upon exercise of the conversion feature of the Insider Debentures. Each BSM Warrant was exercisable at $0.10 to acquire a further Common share for a period of two 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.

The Company had identified (a) Onbelay Partners Ltd., a company controlled by Mr. John Bell, a director, and Mr. Aly Rahemtulla, director and CEO of the Company, (b) Onbelay Capital Inc., a company controlled by Mr. John Bell 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 $117,359 that was allocated to the liability and equity portions.

On September 25, 2009, pursuant to an agreement (the "BEST Purchase Agreement") among The Business, Engineering, Science & Technology Fund Inc. and its affiliates (collectively, "BEST") and certain holders of outstanding BSM Debentures and BSM Warrants, new purchasers and Datacom (collectively, the "BEST Purchasers"), BEST agreed to sell to the BEST Purchasers an aggregate principal amount of $1,750,000 2008 Debentures and an aggregate of 29,166,666 warrants for an aggregate purchase price of $1,575,000 (including an aggregate principal amount of $162,222 BSM Debentures and 2,703,703 BSM Warrants purchased by Datacom for an aggregate purchase price of $146,000). Amongst BEST Purchasers, ANR Solutions Inc. acquired $111,111 face value of the 2008 Debentures from BEST.

The business combination with Datacom required the 2008 Convertible Debentures to be converted into Preferred shares of the Company and any warrants outstanding were to be redeemed by issuance of Common shares of the Company. Each Preferred share is convertible into one Common share (a) at any time based on the written request of the holder of a Preferred share; and (b) at the Company's request after July 1, 2010. The preferred shareholders had pre-emptive rights to participate pro rata in any equity or debt financings. While any Preferred shares are outstanding, the Company is prohibited from incurring senior debt, other than debt from a Schedule 1 or Schedule 2 bank for the purpose of inventory and accounts receivable financing. Each 2008 Warrant and BSM Warrant issued in connection with the convertible debentures (other than an aggregate of 2,703,703 warrants purchased by Datacom pursuant to BEST Purchase Agreement) were to be redeemed by the Company in exchange for the issuance of 0.3 Common share of the Company.

On September 25, 2009, the Company issued an aggregate of 65,755,556 Preferred shares in exchange for an aggregate principal amount of approximately $3,287,778 of 2008 Convertible Debentures (other than 2008 Convertible Debentures acquired by Datacom pursuant to the BEST Purchase Agreement). In addition, the Company issued an aggregate of 16,081,746 Common shares in exchange for an aggregate of 57,309,522 outstanding warrants (other than BSM Warrants acquired by Datacom pursuant to the BEST Purchase Agreement). In connection with the conversion of 2008 Convertible Debentures into Preferred shares and redemption of warrants by issuance of Common shares, on September 25, 2009, (a) Onbelay Partners Ltd. acquired an aggregate of 6,000,000 Preferred shares and 1,285,714 Common shares, (b) Onbelay Capital Inc. acquired an aggregate of 2,000,000 Preferred shares and 428,571 Common shares, (c) and ANR Solutions Inc. acquired an aggregate of 2,222,222 Preferred shares and 984,127 Common shares.

In order to facilitate the sale of 2008 Convertible Debentures and 2008 Warrants by BEST to the BEST Purchasers, the Company issued an aggregate of 6,839,215 Common shares to BEST, immediately prior to the completion of the business combination.

Upon completion of the business combination with Datacom, convertible debentures with an aggregate principal amount of $162,222 and 2,703,703 warrants held by Datacom were cancelled.

Interest and other expense on the 2008 Debentures was composed of the interest calculated on the face value of the convertible debentures and an annual non-cash interest representing the accretion of the carrying value of the debenture. Interest recorded was as follows:

	December 31, 2009		December 31, 2008	
Interest expense on face value	$	-	$	120,750
Non-cash interest representing accretion		-		147,161
	$	-	$	267,911

9. Outstanding share data

The Company's authorized share capital consists of an unlimited number of Common shares. As at December 31, 2009 and as at the date of this report there were 227,500,562 outstanding Common shares, including 547,815 Common shares remaining in escrow the release of which is subject to performance conditions of Company attaining certain cash flow levels.

As at December 31, 2009, there were 10,428,921 outstanding options to acquire Common shares to directors, shareholders and employees of the Company at a weighted average price of $ 0.12.

On January 14, 2010, the Company's Board of Directors approved amendments to the stock option plan. The principal amendments were:

a. To increase the maximum number of Common shares issuable upon exercise of the options granted to key employees, officers, directors and consultants of the Company pursuant to the stock option plan from 12,755,788 to 22,500,000 representing less than 10% of the total number of shares currently issued and outstanding; and

b. To increase the exercise period of stock options to a maximum of 10 years.

These amendments are subject to the TSX approval and, if required, to shareholders' approval.

As of December 31, 2009, the Company had no outstanding warrants to acquire Common shares.

10. Off-balance sheet arrangements

As at December 31, 2009, the Company does not have any off balance sheet arrangements, other than lease commitments as disclosed in this Management discussion and analysis.

11. 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.

12. Restatement of three months ended December 31, 2008 financial statements:

On August 13, 2009, the Company restated its consolidated financial statements for the three months ended December 31, 2008. The restatement was:

(a) The Company had a convertible debentures liability as described in note 7 to the three months ended December 31, 2008 interim consolidated financial statements. The Company now believes that the measurement and presentation of the liability and equity portions of the convertible debentures for the three months ended December 31, 2008 was incorrect and that certain balance sheet items were misstated and misclassified for the three months ended December 31, 2008. The Company has corrected these errors and restated the audited consolidated financial statements for the three months ended December 31, 2008.

(b) During the quarter ended December 31, 2008, the Company instituted a program under which it sold certain products on an "all-inclusive" (hardware and service) basis that allowed customers to pay a fixed monthly rate for the all-inclusive package. All of this revenue was initially recognized on a monthly basis. The Company now believes that the hardware portion of the all-inclusive plan should have been recognized as a sales-type lease, as under the arrangement substantially all the benefits and risks incident to ownership of hardware are transferred to the customer and, at the inception the fair value of the hardware is greater or less than its carrying amount. The portion related to the service provided was correctly recognized on a monthly basis. The allocation of the sales between the hardware and service sales has, in accordance with the Company's accounting policy related to multiple deliverables, been determined based on the relative fair value of the elements of the arrangement based upon the normal pricing practice for the product and service when sold separately.

Under CICA 3065, when a lease is a sales-type lease, a sale should be recorded with the manufacturers or dealer's profit or loss being recognized at the time of the transaction. Initial direct costs should be expensed at the inception of the lease and unearned finance income should be deferred and taken into income over the lease term to produce a constant rate of return on the investment in the lease.

The primary criteria which the Company used to classify the hardware sales as sales-type and not as operating leases are (1) a review of the term to determine if it is equal to or greater than 75% of the economic life of the equipment and (2) a review of the present value of the minimum payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception. (3) a determination as to whether or not a reasonable assurance exists that the customer will obtain ownership of the leased property by the end of the term. Reasonable assurance that the lessee will obtain ownership of the leased property would be present when the terms of the lease would result in ownership being transferred to the lessee by the end of the lease term or when the lease provides for a bargain purchase option. Based on this analysis it was determined that the hardware sales meet the criteria for sales-type lease accounting.

The company's sales-type lease portfolios contain only normal credit and collection risks and have no important uncertainties with respect to future costs.

The Company has corrected these errors and restated the audited consolidated financial statements for the three months ended December 31, 2008.

The net effect of the restatement on the un-audited interim consolidated financial statements of the Company as to three months ended December 31, 2008, is as follows:

The carrying value of the debt portion and equity portion of the convertible debentures was adjusted to its fair value.

The carrying value of the portion of the warrants issued in connection with the convertible debentures was reclassified from convertible debentures to shareholders' equity.

Revenue, Cost of goods sold were increased to account for the hardware revenue from sales-type lease accounting and gross profit was increased as a result. The carrying value of the Company's net investment in sales-type leases was adjusted to its fair value. The deferred cost related to sales-type leases was adjusted to its fair value.

Summary of restatement:

(a) Consolidated Balance Sheet:

	QE December 31, 2008		
	As originally Reported	Restatement	Restated Amount
ASSETS			
Current			
Current portion of net investment in sales-type leases	-	43,777	43,777
	-	43,777	43,777
Deferred financing costs	487,250	(487,250)	-
Net investment in sales-type leases	-	76,527	76,527
			-
Deferred Product costs	55,713	(55,713)	-
Total Assets	542,963	(422,659)	120,304
LIABILITIES			
Current			
Deferred revenue	28,820	(5,927)	22,893
	28,820	(5,927)	22,893
Convertible debenture	3,264,934	(930,795)	2,334,139
SHARE HOLDERS EQUITY			
Warrants	876,876	392,297	1,269,173
Convertible debenture	795,337	(27,055)	768,282
Deficit	(13,434,746)	148,821	(13,285,925)
	(11,762,533)	514,063	(11,248,470)
Total liabilities and shareholders equity	(8,468,779)	(422,659)	(8,891,438)

The interest expense on the 2008 Debentures was adjusted to reflect the non-cash interest representing the accretion of the carrying value of the debentures. Interest expense and net loss is decreased by the interest expense restatement. As a result, loss for the quarter and deficit were restated by $33,602.

Revenue was increased by $ 126,630, and Cost of goods sold was increased by $ 55,712, to account for the hardware revenue from sales-type lease accounting. As a result, gross profit and loss for the quarter and deficit were restated by $ 70,518.

(b) Consolidated Statement of Operations and Deficit:

	QE December 31, 2008		
	As originally Reported	Restatement	Restated Amount
Revenue	2,467,714	126,230	2,593,944
			-
Cost of sales	1,231,596	55,712	1,287,308
Restated Gross Profit	1,236,118	70,518	1,306,636
Interest on debenture	301,513	(33,602)	267,911
Loss effect for the three months ended December 31, 2008		104,120	
Basic and diluted loss per share	$ (0.004)	$ 0.001	$ (0.003)

(c) Consolidated Statement of Comprehensive Income:

	QE December 31, 2008		
	As originally Reported	Restatement	Restated Amount
Loss for the quarter	(327,794)	104,120	(223,674)
Net Comprehensive income effect for the three months ended December 31, 2008		104,120	

There was no change to the statement of cash flows, as (i) the interest expense adjustment related to the notional interest representing the accretion of the carrying value of the debentures and (ii) accounting for sales-type leases adjustment, were non-cash items.

(d) Consolidated Statement of Cash Flows:

	QE December 31, 2008		
	As originally Reported	Restatement	Restated Amount
Loss from continuing operations	(327,794)	104,120	(223,674)
Amortization of deferred financing charges	180,763	(33,602)	147,161
Net change in non-cash items related to operations	(87,931)	(70,518)	(158,449)
Net cash inflow (outflow)		-	

13. Critical accounting policies:

Critical Accounting Policies:

This MD&A has been prepared with reference to the three months ended December 31, 2009 un-audited consolidated financial statements and notes thereto, which has been prepared in accordance with Canadian GAAP. The Audit Committee of our Board reviews our accounting policies, reviews all quarterly and annual filings, and recommends approval of our consolidated financial statements to our Board. In our annual audited consolidated financial statements for the year ended September 30, 2009, as well as in the year ended September 30, 2009 annual MD & A, we have identified the significant accounting policies. For the three months ended December 31, 2009 there are no changes to the critical accounting policies from those found in our year ended September 30, 2009 annual MD & A and, annual audited consolidated financial statements.

Critical Accounting 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.

In our annual audited consolidated financial statements for the year ended September 30, 2009, as well as in the year ended September 30, 2009 annual MD & A, we have identified the accounting estimates that are critical to the understanding of our business operations and our results of operations. For the three months ended December 31, 2009 there are no changes to the critical accounting estimates from those found in our year ended September 30, 2009 annual MD & A and, annual audited consolidated financial statements.

14. Recent Canadian accounting pronouncements:

(i) International Financial Reporting Standards:
In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from GAAP will be required for both interim and annual financial statements for profit-oriented publicly accountable entities for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The Company's first annual IFRS financial statements will be for the year

ending September 30, 2012 and will include the comparative period of 2011. Starting in the first quarter of 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for 2011.

Although the Company has not completed development of its IFRS changeover plan, when finalized it will include project structure and governance, resourcing and training, an analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company's project scoping will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

(ii) Business combinations:
In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(iii) Non-controlling interests:
In January 2009, the CICA issued Handbook Section 1602, Non-controlling Interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(iv) Consolidated financial statements:
In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is

currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(v) Financial instruments - disclosures:
In June 2009, the CICA amended Handbook Section 3862, Financial Instruments - Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. This amended standard is effective for annual financial statements relating to fiscal years ending after September 30, 2009. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

15. Financial instruments and capital disclosure:

Fair Values
The carrying values of accounts receivable, investment tax credits receivable, net investment in sales-type leases, accounts payable and accrued liabilities and customer deposits approximate their fair values due to the short-term maturity of these financial instruments.

The fair value of long-term debt and net investment in sales-type leases is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the balance sheet date.

Capital disclosures
The Company manages its capital structure with the objective of providing sufficient resources to meet day-to-day operating requirements; to allow it to enhance existing product offerings as well as develop new ones; and to have the financial ability to expand the size of its operations by taking on new customers. In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process. The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance.

Refer to note 12 on Financial Instruments and capital disclosure in the consolidated financial statements.

16. Risks and uncertainties that could affect future results:

Our significant risks and uncertainties are summarized in our annual MD & A for the year ended September 30, 2009. There have been no significant changes to those risks and uncertainties since September 30, 2009.

17. 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, 2009, 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, 2009 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.

18. 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, 2009 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of September 30, 2009.

19. 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.

20. Management's responsibility for financial reporting

The accompanying interim un-audited consolidated 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 interim un-audited consolidated financial statements and management's discussion and analysis have been reviewed by the Company's auditors.

Management has prepared these interim un-audited consolidated financial statements and all other information in accordance with accounting principles generally accepted in Canada. Some amounts included in the consolidated 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 the consolidated financial statements. The Board of Directors carries out its responsibilities for the consolidated 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