

BSM TECHNOLOGIES INC.

Management's Discussion and Analysis

For the three and nine months ended June 30, 2011 and 2010

This document is dated August 29, 2011

This management discussion and analysis ("MD&A") of operating results and financial position of BSM Technologies Inc., ("the Company") should be read in conjunction with our unaudited interim financial statements for the three and nine months ended June 30, 2011 and related notes therein, and in conjunction with the audited consolidated financial statements for the year ended September 30, 2010 and the related notes herein, which are prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The following MD&A contains forward-looking information and statements. Refer to the end of the MD&A for the disclaimer on forward-looking information and statements.

Unless otherwise indicated, all financial information within this discussion is in thousands of Canadian dollars, except unit volumes and per share or per unit data.

1. OVERVIEW & CORPORATE HIGHLIGHTS

a) Three months ended June 30, 2011 Highlights

Highlights for the quarter ended June 30, 2011 as compared to the quarter ended June 30, 2010:

- Revenues increased by \$495 or 14% over same period last year;
- Net income increased by \$217 or 986% over same period last year;
- EBITDA increased by \$120 or 65% over same period last year;
- Generated \$293 of cash from operating activities for the quarter ended June 30, 2011 (2010 – used \$216 of cash for operating activities), representing \$509 more cash from operating activities over the same period last year.

SELECTED FINANCIAL INFORMATION

Statement of Operations Highlights (\$ thousands, except per share data)	Three months ended June 30		Nine months ended June 30	
	2011	2010	2011	2010
Revenue	\$ 3,915	\$ 3,420	\$ 11,085	\$ 10,224
Expenses	2,149	1,987	6,271	7,170
Income (loss) before other expenses	292	161	502	(863)
Other expenses	53	139	242	422
Net income (loss) for the period	239	22	259	(1,285)
Earnings (loss) per share - basic and diluted	\$0.001	\$0.000	\$0.001	(\$0.006)
EBITDA ⁽ⁱ⁾	305	185	539	(813)

(i) EBITDA is a non-GAAP financial measure. See explanation of EBITDA below under heading "Non-GAAP Measures"

Balance Sheet Highlights (\$ thousands)	As at June 30	
	2011	2010
Cash and cash equivalents	\$ 761	\$ 774
Working capital	1,743	964
Total assets	7,711	9,624
Long term liabilities	4	13
Total liabilities	3,589	3,885
Shareholders' equity (i)	4,122	5,738

(i) Decrease in Equity due primarily to write-down of SecTrack goodwill at September 30, 2010.

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b) Overview

BSM Technologies Inc. ("BSM" or the "Company") trades on The TSX Venture Exchange under the symbol GPS. Through the deployment of cost-effective, highly secure, end-to-end wireless solutions, BSM enables companies to improve customer service, reduce costs, improve efficiency, enhance security and maintain compliance with safety, workplace and environmental regulations. These solutions are targeted primarily at enterprise assets and include real-time, web based fleet management, fleet diagnostics, fixed asset monitoring and automated vehicle security solutions. BSM's corporate headquarters are in Woodbridge, Ontario and it maintains an office in Laval, Quebec.

2. CORE BUSINESS, VISION AND STRATEGY

a) 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 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. Specifically, BSM's proprietary software and customizable hardware products enable its customers to:

- Improve productivity by enabling the effective management of their mobile workers, increasing the utility of their mobile resources and decreasing costs of operations by facilitating business processes such as event confirmation, signature verification and form processing while their workers are in the field.
- Provide one platform that allows customers to leverage their investment in third party hardware and back office applications to streamline their operations.
- Monitor the condition of fixed assets, such as geographically diverse gas storage tanks, through remote pressure and temperature sensors.

The Company has built its telematics solutions around a common hardware platform that is adapted to serve multiple industry verticals and is "network-neutral" so it can be deployed over cellular, Wi-Fi or satellite networks. BSM believes that by developing and re-using a single robust and configurable underlying service infrastructure investment, it will achieve the leverage necessary to offer a wide range of high-value services while minimizing internal cost. Its product and service portfolio serves the following categories:

Fleet Management: BSM's real-time fleet management and mobile workforce solutions are its Sentinel FM, Mobicom and Fleetpulse platforms. The hardware component of these offerings connect to a vehicle through an industry-standard data bus or directly through the engine control unit, GPS receivers and auxiliary equipment to gather critical vehicle parameters, logistical data and vehicle location information in real-time. This includes trip information, fleet violations such as speeding, harsh or extreme acceleration and braking, and location and time spent in designated

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geographical areas. The Company's services provide electronic dispatch, alarm notification, and both current and historical data relating to mobile and fixed assets in a variety of formats, including activity reports and maps. These formats are delivered in a standard configuration, which customers can customize to meet specific business needs.

Fixed Asset Monitoring: Through the deployment of remote temperature and pressure sensors, BSM's iTrax division enables the monitoring of geographically diverse gas storage tanks. The iTrax interface provides electronic alerts that notify logistics managers when a specific tank is reaching low levels. This enables the planning of bulk deliveries for replenishment based on operational need and eliminating of distribution schedules and manual inventory management.

Satellite Messaging Solutions: Through its subsidiary, SecTrack, BSM provides hardware, communication links, and airtime for real-time tracking and management of vehicles, vessels and stationary facilities around the globe using Inmarsat D+ and ISAT M2M satellite communications. This offering is marketed through a network of 60 value-added resellers in 40 countries. Typically, these resellers are local companies who have built monitoring and tracking services to serve many maritime and land-based sectors, including nuclear transport monitoring, mining, security tracking of trucks, trailers and other vehicles and tracking of airplanes and rescue helicopters.

BSM receives revenue from the sales of its hardware and software licences and recurring revenue from monthly Application Service Provider ("ASP") fees, monthly alarm monitoring fees and resale of cellular and satellite data.

b) Strategy

BSM Technologies positions itself as the key link between its customers' fixed and moving assets, fleets and the systems they use to run their businesses. BSM's development efforts are focussed on the ease of integration of its technologies with remote fixed asset, in-vehicle and application systems to generate substantial return on investment to its customers. A further competitive advantage is the significant level of data security that is embedded in its systems such that it can be deployed in high-risk, mission critical applications. The Company continues to be guided by the following four long-standing strategic imperatives:

(i) 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 mounted on a remote asset or 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 and 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.

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- 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.

(ii) Focusing 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. The Company has increased its human sales capital in order to increase the sales efforts, both laterally and vertically.

(iii) 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.

(iv) Building international distribution capabilities

The Company is a wholesaler of Inmarsat technology, as well as related services and support, providing its global customers with one-stop shopping for hardware and network services. It 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, it 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 and remote monitoring 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

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coverage. This approach permits the most future proofed, global terrestrial coverage options for vehicles that frequently travel beyond urban boundaries.

- Scalability: BSM's systems are designed with growth in mind. As more customers are added, the capacity of our solutions could be expanded through expansion of hardware.
- Accessibility and Reliability: Our solutions are Web-based and 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 our services from anywhere through the Internet.
- Security: BSM 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

Selected Financial Information

The following table sets forth certain information regarding sales, income from operations, and other information for the periods presented, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended June 30, 2011 and 2010 and related notes.

SELECTED FINANCIAL INFORMATION

Statement of Operations (\$ thousands, except per share data)	Three months ended June 30				Nine months ended June 30			
	2011		2010		2011		2010	
Recurring service revenue	\$2,439	62%	\$2,030	59%	\$6,955	63%	\$6,024	59%
Hardware and software revenue	1,476	38%	1,390	41%	4,130	37%	4,200	41%
Revenue	3,915	100%	3,420	100%	11,085	100%	10,224	100%
Cost of revenue	1,473	38%	1,272	37%	4,313	39%	3,916	38%
Gross profit	2,442	62%	2,148	63%	6,773	61%	6,308	62%
Expenses	2,149	55%	1,987	58%	6,271	57%	7,170	70%
Income (loss) before other expenses	292	7%	161	5%	502	5%	(863)	-8%
Other expenses	53	1%	139	4%	242	2%	422	4%
Net income (loss) for the period	239	6%	22	1%	259	2%	(1,285)	-13%
Earnings (loss) per share - basic and diluted	\$0.001		\$0.000		\$0.001		(\$0.006)	

Key Financial Measures

Gross margin				
Recurring service revenue	76%	71%	74%	68%
Hardware and software revenue	39%	50%	39%	53%
Revenue	62%	63%	61%	62%
Expenses as a percentage of revenue	55%	58%	6,773	70%
EBITDA ⁽ⁱ⁾	305	185	539	(813)

(i) EBITDA is a non-GAAP financial measure. See explanation of EBITDA below under heading "Non-GAAP Measures"
See page 11 for the reconciliation of EBITDA to Net Income.

Overall, revenues have increased for the three and nine months ended June 30, 2011. The primary increase in revenue is in the expanding customer base in North America over the same period in 2010.

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The major transactions that impacted the results for the quarter ended June 30, 2011 included the following:

- BSM obtained an expansion of an existing relationship with one of its largest customer. During the quarter, the Company recognized over \$0.2 million of hardware revenues related to this order.
- The Sentinel FM asset tracking solution was selected by a second division of the above noted existing customer. For this initial implementation, valued at more than \$0.9 million over a two-year period, BSM equipment will be installed on approximately 800 vehicles. During the quarter, the Company recognized approximately \$0.3 million of hardware and installation revenues related to this contract.

Management's strategy in North America is to continue to actively increase sales of its core product lines and concentrate on continuing to improve the gross margins by actively increasing the subscriber base for the recurring service revenues, which will also further insulate the Company from financial risk resulting from the cyclical nature of its hardware sales. The Company's effort to accomplish this includes further investments in human capital, both in Canada and the USA.

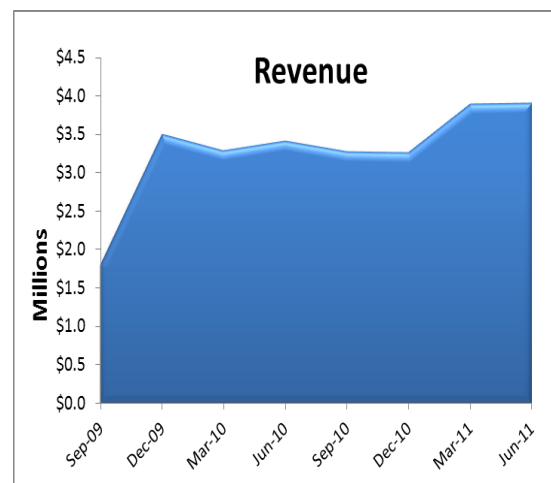
Management's strategy outside of North America is aimed at an aggressive effort to significantly build up the business through increased volume and improved margins, by:

- offering additional services to both existing and new customers,
- increasing marketing efforts to grow the subscriber base, and;
- increasing margins by renegotiating vendor contracts.

Revenues

Revenue for the three months ended June 30, 2011 increased by \$495 or 14% to \$3,915 from \$3,420 for the prior year. Revenue for the nine months ended June 30, 2011 increased by \$861 or 8% to \$11,085 from \$10,224 for the prior year. The increase over prior year is due primarily to higher recurring revenues resulting from increases in the number of subscribers as the Company continues to grow its base business.

The Company's revenues are cyclical due primarily to the roll-out of large volume sales. The \$3.9 million increase in revenues from Q1 2011 to Q3 2011 represents an average quarterly growth of 12.5%.



Segmented information

- Revenue by geographic segment, based upon customer location, is as follows:

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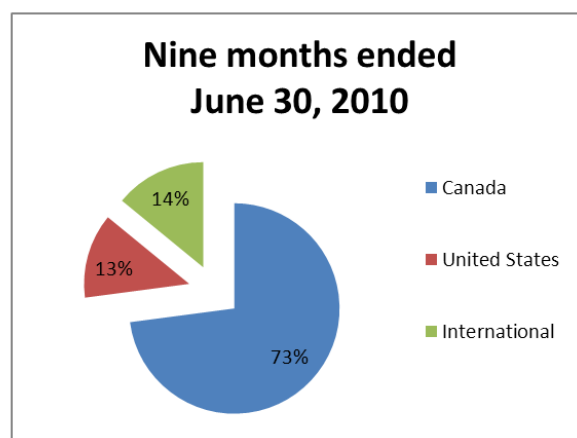
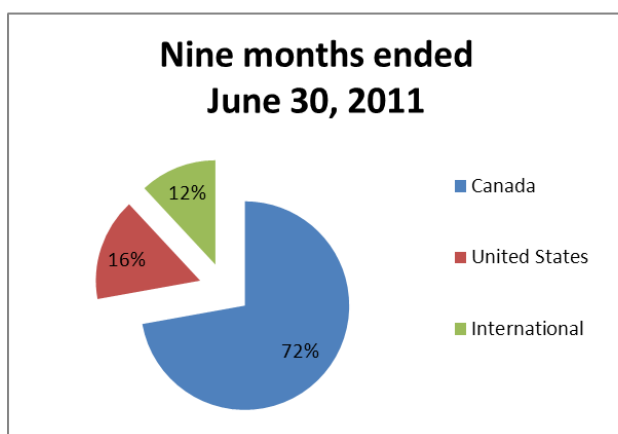
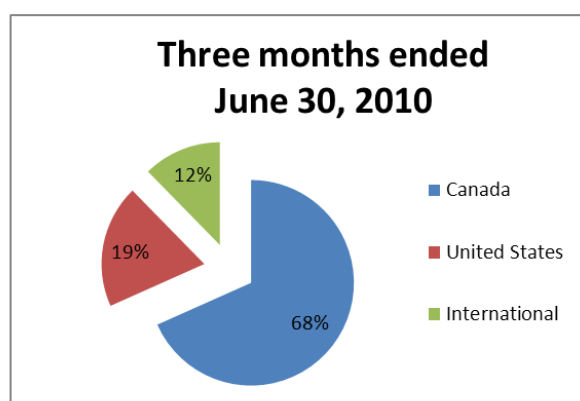
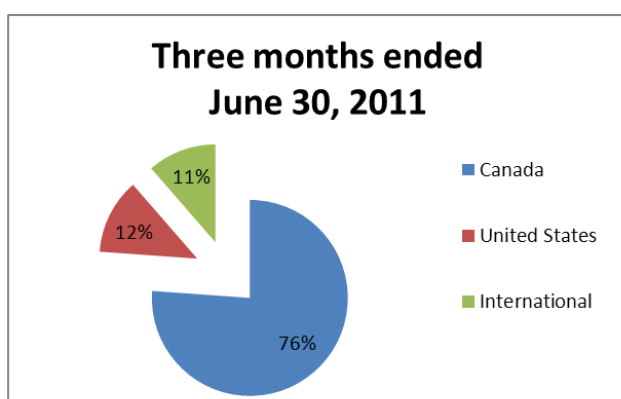
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(\$ thousands)	Three months ended June 30				Nine months ended June 30			
	2011		2010		2011		2010	
Canada	\$ 2,981	76%	\$ 2,337	68%	\$ 8,000	72%	\$ 7,455	73%
United States	488	12%	662	19%	1,762	16%	1,331	13%
International	446	11%	422	12%	1,323	12%	1,439	14%
	\$ 3,915	100%	\$ 3,420	100%	\$ 11,085	100%	\$ 10,224	100%

Revenues from Canada account for 76% and 72% of the Company's total revenues for the three and nine months ended June 30, 2011, respectively, as compared to 68% and 73% for the prior year comparatives, respectively.



- Revenue by product category is as follows:

	Three months ended June 30				Nine months ended June 30			
	2011		2010		2011		2010	
Recurring service revenue	\$ 2,439	62%	\$ 2,030	59%	\$ 6,955	63%	\$ 6,024	59%
Hardware & software revenue	1,476	38%	1,390	41%	4,130	37%	4,200	41%
	\$ 3,915	100%	\$ 3,420	100%	\$ 11,085	100%	\$ 10,224	100%

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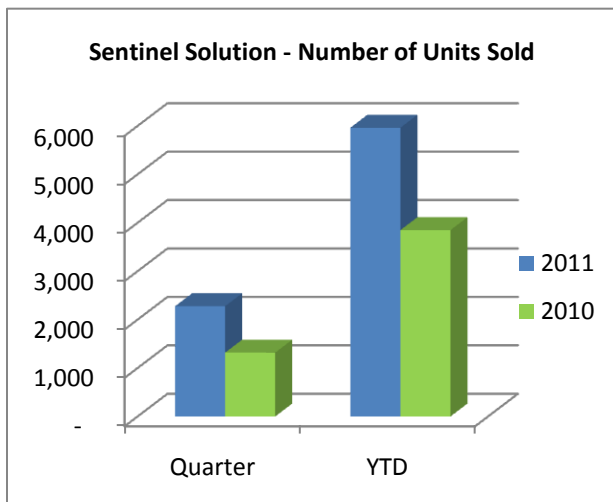
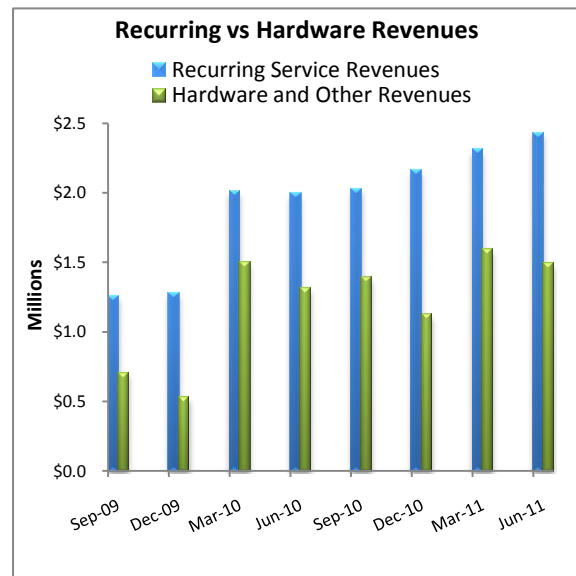
The Company derives its revenue from the sale of its products, software licenses (self-hosted applications), recurring services and resale of third party products and services.

These various revenue streams are reported in 2 general categories:

- Recurring revenues, which includes monthly ASP service fees, monthly monitoring fees, and resale of cellular and satellite data. The Company enters into services contracts with its customers, usually ranging from 12 to 36 months or beyond. Recurring revenues are recognized monthly as services are delivered.
- Hardware and Other Revenues which includes revenue recognized 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 maintenance contracts will be recognized only as the services are offered, resulting in the deferral of contracted revenues in the future.

The monthly recurring revenues for the three and nine months ended June 30, 2011, accounts for 62% and 63% of total quarterly revenues, respectively (2010 – 59% both for the three and nine months). Recurring revenues for the three and nine months ended June 30, 2011 increased by \$399 or 20% and \$931 or 15%, respectively, over same periods in 2010, due to an increase in the number of subscribers primarily in Sentinel subscribers and the purchase of iTrax customers effective the fourth quarter, 2010.

Hardware revenue for the three months ended June 30, 2011 increased by \$86 or 6% over the prior year. This increase is comprised of a \$265 or 23% increase in hardware sales, and \$179 or 78% decrease in insurance business over prior year.



The Company's core fleet management business, the Sentinel solution, continues to grow. The number of units for the three and nine months ended June 30, 2011 for the Sentinel solution increased by 958 units or 73% and 2,115 units or 55%, respectively, over the prior year.

Hardware and software revenues for the nine months ended June 30, 2011 decreased by \$70 or 2% over prior year due primarily to a \$465 or 56% decrease in the insurance business in

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Canada, a \$166 or 55% decrease in SecTrack hardware sales in the International markets, net of an increase of \$722 or 25% in the core fleet management business, the Sentinel solution.

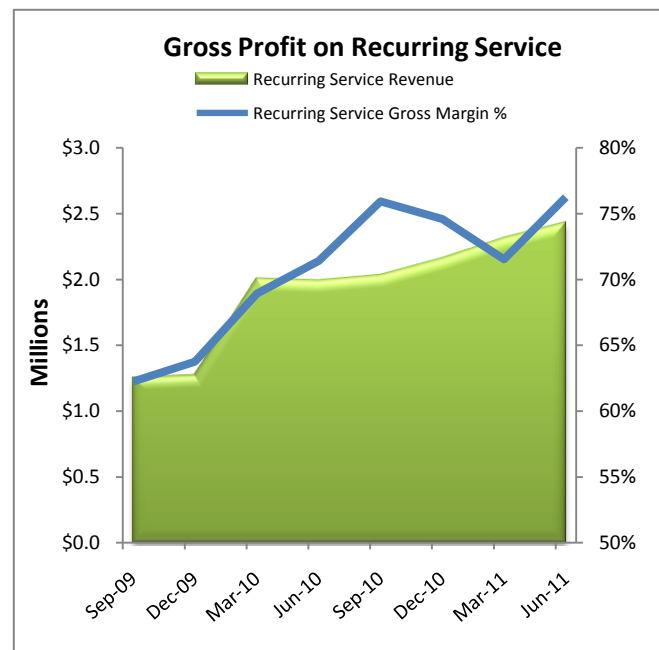
The Company's goal going forward is to leverage the success of the Sentinel solution in Canada through its internal sales and network of channel partners, including the latest addition of dealers through its acquisition of SaskTel's LoadTrak business, and work with its channel partners in the United States to focus on and capitalize on the forecasted growth opportunities in the USA.

Outside of North America, the Company's strategy is to grow the sales of existing product and services, including ISATM2M and the recently acquired iTrax business, with a special focus on the Latin America market.

Gross profit

The gross profit for the three and nine months ended June 30, 2011 increased by \$294 or 14% and \$465 or 7%, respectively, over the same periods last year due to increased revenues for the same periods. Gross profit margin for the Company will vary depending on the mix of sales in the period. Hardware and software sales typically generate lower gross margins than recurring service revenues. Further, larger volume hardware sales will generate lower gross margins than smaller volume sales. The overall gross margin for the three and nine months ending June 30, 2011 of 62.4% and 61.1%, respectively, down slightly from the prior year comparative margins, is comprised of increasing recurring revenue margins net of decreasing hardware and software margins.

The recurring revenue margins for the three and nine months ended June 30, 2011 of 76% and 74%, respectively, are up approximately 5 and 6 percentage points, respectively, from the prior year comparative rates. This increase in recurring revenue margins is due to the growing subscription base. The hardware and software revenue margins for the three and nine months ending June 30, 2011 of 39% and 39%, respectively, have dropped approximately 11 and 14 percentage points, respectively, over prior year comparatives due to a combination of large volume sales and sales through channel partners which generate lower margins and a decrease in the insurance business margins due to a provision for inventory obsolescence reflected in current year results. Management expects that services revenues, which have higher margins, will continue to increase as it continues to expand its subscriber base.



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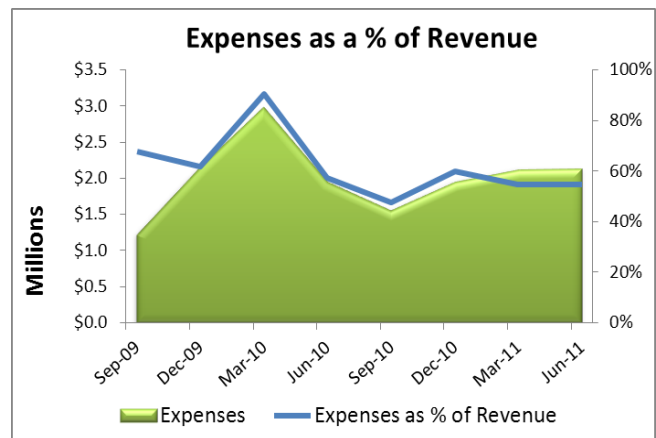
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Expenses

Overall expenses increased by \$173 or 9% and decreased by \$887 or 13% for the three and nine months ended June 30, 2011, respectively, over the prior year comparatives. These expenditures equate to 55% and 56% of the revenue for the three and nine months ended June 30, 2011, respectively, compared to 58% and 70%, respectively, for the prior year comparative periods. The increase in expenses over prior year's quarter is primarily due to \$376 increase in general and administrative expenses, comprised primarily of increases in professional fees to reflect legal and audit accruals and cost of preparing for the adoption of IFRS, net of:

- \$121 decrease in research and development expenses, due primarily to scientific research and development credit received from the government in excess of the amount that had been accrued, and;
- \$132 decrease in sales and marketing expenses, due primarily to lower people costs resulting from reduced sales staffing levels, lower commission expense and reduced marketing costs.



The decrease in expenses over prior year's nine months comparative period is due primarily to reduced staffing levels in 2011 and the onetime restructuring expenses recorded in 2010.

Amortization

Amortization of property and equipment for the three and nine months ended June 30, 2011 was \$29 and \$73, respectively, compared to \$38 and \$114, respectively, for prior year's comparative periods. The Company is planning on increasing the spending on property and equipment in order to continue to enhance its service offering to existing and future customers.

Amortization of intangible assets for the three and nine months ended June 30, 2011 was \$45 and \$225, respectively, compared to \$97 and \$291, respectively, for the prior year's comparative periods.

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.

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Net income

Net income for the three and nine months ended June 30, 2011 was \$239 or \$0.001 per share and \$259 or \$0.001 per share, respectively, on a diluted basis (2010 – net profit of \$22 or \$0.000 per share and net loss of \$1,285 or \$0.006 per share, respectively). The earnings per share ("EPS") for the three and nine months was also impacted by an increase in weighted average number of common shares due to the issuance of common shares from the conversion of the preferred shares on December 15, 2010.

The weighted average common shares increased as follows:

- from 226,952,747 for the three months ended June 30, 2010, to 292,708,302 for the three months ended June 30, 2011;
- from 226,952,747 for the nine months ended June 30, 2010, to 274,643,589 for the nine months ended June 30, 2011.

The Company 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, may continue to improve its profitability. The extent of the improvement will depend in part on how effectively the Company expands its business.

EBITDA (Earnings before interest, tax, depreciation, amortization and other non-cash charges (stock-based compensation expense))

EBITDA for the three and nine months ended June 30, 2011 was \$305 and \$539, respectively, representing a \$120 or 65% and \$1,352 or 166%, respectively, improvement over 2010 comparable periods. EBITDA is a non-GAAP measure and also excludes stock-based compensation expense. As EBITDA is a non-GAAP measure, it is not universally defined.

The Company calculates EBITDA as follows:

	Three months ended June 30		Nine months ended June 30	
(\$ thousands)	2011	2010	2011	2010
Net income as reported	\$ 239	\$ 22	\$ 259	\$ (1,285)
Add (deduct):				
Interest, net	(21)	(6)	(56)	(8)
Amortization of property & equipment	29	38	73	114
Amortization of intangible assets	45	97	225	291
Stock compensation expense	13	23	38	50
Notional charges preferred shares	-	10	-	25
EBITDA	\$ 305	\$ 185	\$ 539	\$ (813)

(i) EBITDA is a non-GAAP financial measure. See explanation of EBITDA below under heading "Non-GAAP Measures"

Summary of Quarterly Data

The following table sets forth certain unaudited information for each of the eight most recent quarters, the last of which ended June 30, 2011. 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

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prepared on a basis consistent with the audited consolidated financial statements and include all adjustments necessary for the fair presentation of the information presented.

(\$ thousands, except per share data)

QE	Revenue	Gross profit	Expenses ⁽⁷⁾	EBITDA ⁽⁶⁾	Other expenses (income) ⁽¹⁾	Income (loss)	Earnings (loss)/share - basic & diluted
Q3 2011	\$ 3,915	\$ 2,442	\$ 2,137	\$ 305	\$ 66	\$ 239	\$ 0.001
Q2 2011	3,902	2,299	2,133	166	58	108	0.000
Q1 2011	3,268	2,032	1,964	68	156	(88)	(0.000)
Q4 2010 ⁽⁵⁾	3,282	1,915	1,565	350	2,209	(1,859)	(0.008)
Q3 2010	3,420	2,148	1,964	185	162	22	0.000
Q2 2010	3,299	2,087	2,990	(903)	169	(1,071)	(0.005)
Q1 2010 ⁽³⁾	3,505	2,072	2,167	(95)	141	(236)	(0.001)
Q4 2009 ^(2,4)	1,805	1,034	1,226	(192)	2,220	(2,412)	(0.026)

(1) Includes non-cash notional charges such as debenture interest, notional charges on preferred shares, amortization of intangible assets, and stock compensation expense

(2) Includes results of Datacom from September 25, 2009 to September 30, 2009.

(3) Includes results of Datacom for the full quarter.

(4) Loss for period includes \$1,750 related to loss on extinguishment of convertible debentures.

(5) Loss for period includes \$1,856 related to the write-off of the goodwill of the SecTrack investment.

(6) EBITDA is a non-GAAP financial measure. See explanation of EBITDA below under heading "Non-GAAP Measures"

(7) Excludes stock compensation expense

The Company has generated positive EBITDA for the last five consecutive quarters and net income for the last two consecutive quarters. Historically, the Company's operating results have fluctuated on a quarterly basis. Due to the complexity of some of the products and services and the significant volumes, the sales cycle can vary significantly, ranging from a few weeks to several months. Customer buying patterns and year-ends will also impact the seasonality of the sales.

5. LIQUIDITY AND CAPITAL RESOURCES

The Company generated \$518 and \$1,567 more cash for the three and nine months ended June 30, 2011, respectively, compared to the same periods in 2010, as follows:

- As a result of the strong revenues and earnings, the Company generated net cash of \$268 for the three months ended June 30, 2011, compared to a net use of cash of \$250 for the same period in 2010. The 2011 net cash resulted primarily from \$293 of cash generated from its operating activities, of which \$326 was generated from operating profits, offset by an increase of \$33 in non-cash operating working capital. The prior year comparison of usage of cash resulted primarily from the \$216 net usage of cash from its operating activities, of which \$190 was utilized to finance its operating losses, offset by a decrease of \$406 in non-cash operating working capital.

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- Utilized net cash of \$156 for the nine months ended June 30, 2011, compared to a net use of cash of \$1,723 for the same period in 2010. The 2011 net usage of cash resulted primarily from the use of \$245 to pay the dividends on the preferred shares and \$138 to finance its operating activities, comprised of \$595 of cash generated from its operating profits, offset by an increase of \$457 in non-cash operating working capital. The prior year comparison of usage of cash resulted primarily from the \$1,560 net usage of cash from its operating activities, of which \$805 was utilized to finance its operating losses, and an increase of \$755 in non-cash operating working capital.

The components of cash provided by (used in) operating activities were as follows:

	Three months ended June 30		Nine months ended June 30	
(\$ thousands)	2011	2010	2011	2010
Operating activities:				
Income (loss) for the period	\$ 239	\$ 22	\$ 259	\$ (1,285)
Items not involving cash:				
Amortization of property and equipment	29	38	73	114
Notional charges preferred shares	-	10	-	25
Amortization of intangible assets	45	97	225	291
Stock-based compensation expense	13	23	38	50
Change in non-cash operating working capital	(33)	(406)	(457)	(755)
Net cash provided by (used in) operating activities	\$ 293	\$ (216)	\$ 138	\$ (1,560)

The components of the change in non-cash operating working capital were as follows:

	Three months ended June 30		Nine months ended June 30	
(\$ thousands)	2011	2010	2011	2010
Decrease (Increase):				
Accounts receivable	\$ (298)	\$ 12	\$ (873)	\$ 150
Net investment in sales-type leases				
including long term portion	(8)	(114)	94	(454)
Investment tax credits receivable	233	(42)	233	(42)
Inventories	(78)	(98)	51	(138)
Prepaid expenses and other assets	53	63	87	29
	\$ (97)	\$ (179)	\$ (407)	\$ (455)
Accounts payable and accrued liabilities	(93)	(243)	(79)	(207)
Deferred revenue	157	16	29	(93)
	\$ 64	\$ (227)	\$ (50)	\$ (300)
Net increase in non-cash working capital	\$ (33)	\$ (406)	\$ (457)	\$ (755)

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The Company's total current assets at June 30, 2011 is \$5,108 (June 30, 2010 - \$4,659). At June 30, 2011, the working capital was \$1,743 (June 30, 2010 - \$964). Working Capital has been calculated by netting current assets and current liabilities, excluding deferred revenue which is a non-cash item.

Line of Credit

On November 15, 2010, the Company obtained a secured revolving, demand facility with a Canadian chartered bank, which allows for a borrowing limit of up to \$1.5 million, subject to certain conditions. The facility is secured by a first ranking security interest over all personal property of the Company. In addition, the facility contains certain covenants that the Company is required to comply with. Notwithstanding the Company's positive working capital position and the line of credit, the Company may require future financing in order to satisfy future growth activities.

Accounts receivable of \$2,809 as at June 30, 2011 compared with \$1,687 at June 30, 2010. The increase is due primarily to the increase in revenues and the timing of the sales. The Company's management has reviewed its accounts receivable balances as at June 30, 2011, and believes that an adequate provision has been made for doubtful accounts.

As at June 30, 2011, the net investment in sales-type leases, including the long term portion, amounted to \$1,146 (June 30, 2010 - \$1,346). The net decrease is due to higher lease payments compared to the amount of new lease contracts added to the pool.

Inventory decreased from \$846 at June 30, 2010 to \$632 at June 30, 2011 primarily due to the write-off of \$265 for the Mobiguard product line.

During the three and nine months ended June 30, 2011, the Company paid \$nil and \$245, respectively, (2010 - \$nil and \$69, respectively) as dividends to the preferred shareholders.

Capital expenditures by cash for the three and nine months ended June 30, 2011 were \$22 and \$43, respectively, compared with \$1 and \$6, respectively, for the comparable periods in 2010. The Company anticipates continued increases in capital expenditures and lease commitments with its expected growth in operations and infrastructure.

6. RELATED PARTY TRANSACTIONS

The related parties are considered to have significant influence over the Company as defined under CICA Handbook Section 3840.

- (i) 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. During the three and nine months ended June 30, 2011, the Company paid \$2 and \$57, respectively, (2010 - \$25 and \$55, respectively) to a company under Mr. Cirella's control as consulting fees under a management consulting contract between the Company and Mr. Cirella.

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- (ii) The Company has also 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. During the three and nine months ended June 30, 2011, the company paid \$NIL and \$47, respectively, to these related parties as preferred dividends (2010 - \$Nil and \$13, respectively).
- (iii) During the three and nine months ended June 30, 2011, for board compensation, the Company paid \$5 and \$30, respectively (2010 - \$8 and \$15, respectively) for Mr. John Bell, a director of the board.

7. COMMITMENTS

(a) Operating leases

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

(\$ thousands)

2011 (3 months)	\$	53
2012		225
2013		384
2014		409
2015 and subsequent years		1,957
	\$	3,028

(b) Capital leases

The Company entered into 36-month capital lease agreements with third parties for computer hardware. Interest expense for the three and nine months ended June 30, 2011 of \$0.2 and \$1, respectively (2010 - \$0.4 and \$2, respectively) has been recognized in the unaudited interim 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:

(\$ thousands)

2011 (3 months)	\$	2
2012		9
2013		2
Present value of future minimum lease payments (Includes imputed interest of \$0.6)		13
Less current portion		9
Long-term portion of lease payments	\$	4

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8. OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of Common shares. As at June 30, 2011 there were 293,256,117 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 June 30, 2011, there were 9,605,298 outstanding options to acquire Common shares to directors, shareholders and employees of the Company at a weighted average price of \$0.11.

As of June 30, 2011, the Company had no outstanding warrants to acquire Common shares.

As at June 30, 2010, there were 65,755,556 non-cumulative 8% first preferred shares outstanding. There were no second preferred shares issued and outstanding. On December 15, 2010, the Company paid the final dividends on these preferred shares of \$245 and then converted the preferred shares into common shares. As a result, 65,755,555 common shares were issued.

9. OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2011, the Company does not have any off balance sheet arrangements, other than lease commitments as disclosed in this Management discussion and analysis.

10. CRITICAL ACCOUNTING POLICIES & NON-GAAP MEASURES

a) Non-GAAP Measures

These non-GAAP measures should be viewed as a supplement to, and not a substitute for the Company's results of operations reported under Canadian GAAP.

EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation, and amortization and other non-cash charges (non-cash stock compensation expenses), a non-GAAP financial measure. Management believe that EBITDA provides useful information to investors because it excludes transactions not related to the core cash operating business activities, allowing meaningful analysis of the Company's performance of its core cash operations. Non-cash stock-based compensation amortization expense and the write-off of unamortized acquisition costs are considered amortization items to be excluded in the EBITDA calculation.

A reconciliation of EBITDA to net income is included in the section titled *Selected Financial Information: EBITDA*.

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Operating Income

The Company measures the success of its operations using Operating Income as a key performance indicator. Operating Income is not a recognized measure of financial performance under GAAP. BSM calculates Operating Income as the Income (loss) before interest, interest on convertible debentures, amortization of intangible assets, amortization of property and equipment, interest income and loss on extinguishment of convertible debentures. BSM's method of calculating Operating Income may differ from other companies and accordingly, may not be comparable to measures used by other companies.

The Company believes this is an important measure as it allows it to assess its ongoing businesses without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate its ability to incur or service debt, invest in property & equipment and allow it to compare it to its peers and competitors who may have different capital or organizational structures. This measure is not a defined term under Canadian GAAP.

b) Critical Accounting Policies

This MD&A has been prepared with reference to the three months ended June 30, 2011 unaudited consolidated financial statements and notes thereto, which have 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 the Company's consolidated financial statements to the Board. In the Company's annual audited consolidated financial statements for the year ended September 30, 2010, as well as in the year ended September 30, 2010 annual MD&A, management has identified the significant accounting policies. For the three months ended June 30, 2011 there are no changes to the critical accounting policies from those found in the year ended September 30, 2010 annual MD&A and annual audited consolidated financial statements.

c) 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 the Company's annual audited consolidated financial statements for the year ended September 30, 2010, as well as in the year ended September 30, 2010 annual MD&A, management has identified the accounting estimates that are critical to the understanding of the business operations and the results of operations. For the three months ended June 30, 2011 there are no changes to the critical

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accounting estimates from those found in the year ended September 30, 2010 annual MD&A and annual audited consolidated financial statements.

d) Recent Canadian accounting pronouncements

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.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP; however, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements.

The Company has developed a project plan, which includes the 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 First-time Adoption of International Financial Reporting Standards exemptions. The Company's project includes a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements, and is on schedule in the implementation process. The Company has made progress in determining the financial statement presentation and impacts of the key differences between the Company's current accounting policies under Canadian GAAP and those it expects to apply in preparing IFRS-compliant financial statements. The Company continues to ensure key staff members attend IFRS update and training sessions as required.

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.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582") concurrently with Handbook Sections 1601, Consolidated Financial Statements ("Section 1601"), and 1602, Non-Controlling Interests ("Section 1602"). Section 1582, which replaces Handbook Section 1581, Business Combinations establishes standards for the measurement of a business combination, and the recognition and measurement of assets acquired and liabilities assumed. Section 1602

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establishes standards for the treatment of non-controlling interests subsequent to acquisition through a business combination. Section 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. These new standards are applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Section 1601 and 1602 will apply to the Company's interim and annual consolidated financial statements beginning October 1, 2011.

Multiple deliverable revenue arrangements

In December 2009, the EIC issued a new abstract concerning multiple deliverable revenue arrangements, EIC Abstract No. 175, Multiple Deliverable Revenue Arrangements ("EIC-175"), which amended EIC Abstract No. 142, Revenue Arrangements with Multiple Deliverables ("EIC-142"). These amendments require a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendments also change the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available.

EIC-175 should be adopted prospectively for revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. EIC-142 continues to be effective until that date. Management does not expect this new Abstract to have a material effect on the Company's consolidated financial statements.

11. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURE

a) 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.

b) 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.

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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 11 on Financial instruments and capital disclosure in the unaudited interim consolidated financial statements.

12. RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS

The Company's significant risks and uncertainties are summarized in the annual MD&A for the year ended September 30, 2010. There have been no significant changes to those risks and uncertainties since September 30, 2010.

13. DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the information disclosed in this MD&A 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, 2010, 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, 2010 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.

14. 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, 2010 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of September 30, 2010.

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15. 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 affected, 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.

16. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements, MD&A 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 unaudited interim consolidated financial statements and MD&A have not been reviewed by the Company's auditors.

Management has prepared these unaudited interim consolidated financial statements and all other information in accordance with accounting principles generally accepted in Canada. Some amounts included in the unaudited interim 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 unaudited interim consolidated financial statements. The Board of Directors carries out its responsibilities for the unaudited interim consolidated financial statements through the Audit Committee, which consists of members of non-managing directors.

17. FURTHER INFORMATION

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

18. CERTIFICATION

The Company has complied with the multilateral instrument 52-109

19. 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

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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.