

BSM TECHNOLOGIES INC.

Management Discussion and Analysis

First quarter ended December 31, 2007

This document is dated February 29, 2008

This discussion and analysis of financial condition, results of operations and cash-flows should be read in conjunction with the unaudited consolidated financial statements and related notes for the three months ended December 31, 2007, and in conjunction with the audited consolidated financial statements and the management discussion and analysis for the year ended September 30, 2007 as set out in the Company's annual report.

1 Corporate overview:

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

2 Core business, vision and strategy:

2.1 Core Business

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

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

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

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its services provide significant value to its customers by decreasing the costs and increasing the efficiency of their operations. The Company's customers can manage their mobile resources in several ways: self-hosting the application on their private networks, or, by logging onto our website -Application Service Provider ("ASP").

The Company offers its services on GPRS, 1xRTT, and satellite (Inmarsat D+ and Iridium). Those arrangements in which customers contract directly with carriers for the wireless airtime component of its service is described as "unbundled". Conversely, arrangements in which the Company contract for the wireless airtime portion is described as "bundled". The nature of the Company's relationship with the carriers dictates whether it will be entering into a bundled or unbundled arrangement with the customer. Bundled arrangements could be advantageous to customers who do not have direct contracts with the wireless/satellite carriers as these customers under the bundled arrangement can take advantage of the Company's wholesale contract rate with these carriers. Selection of the appropriate protocol is related primarily to optimal wireless coverage for a specific customer area of operation. Additionally, the company is indifferent as to what protocol is selected in that it has priced its services such that a similar contribution to gross profits results from either arrangement.

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

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

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

2.2 Vision and strategy

BSM' strategic intent, or vision, is to be a diversified provider of innovative fleet management and security solutions internationally. The Company' strategy for growth is to focus on its core Telematics business. To execute this mission the company, on January 31 2007, acquired SecTrack allowing the Company to expand market presence and distribution channels worldwide.

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

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

BSM conducts research and development activities related to its hardware, firmware and software. The hardware and firmware form part of an embedded system which is equipped in a vehicle and interfaces to server infrastructure. The research and development include schematic capture, PCB design and manufacture, firmware programming, compiling and deployment activities, software programming & infrastructure deployment. By conducting its own research and development activities, BSM has been able to retain complete ownership of its end-to-end solution.

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

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

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

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

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

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

Netistix's inhouse developed hardware provides a universal interface to cars, light duty trucks, large trucks, and heavy equipment. By implementing the SAE standards for OBDII, J1708 and J1939, Netistix devised an algorithm utilizing data that is available to extrapolate the amount of fuel consumed. Netistix's hardware and its integrated firmware also implement a powerful protocol to efficiently and effectively transmit vehicle related information to its central servers. Development of these technologies requires

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

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

The BSM securities issued will be restricted from trading until April 25, 2008. The legal's and other acquisition costs were \$63,202.

2.2. b Focussing on key select market segments

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

2.2. c Building international distribution capabilities

To execute this mission, effective January 31, 2007 BSM acquired all the outstanding shares of Sectrack NV, based in Antwerp, Belgium. SecTrack has an international market focus, distributing satellite telematics products throughout Europe, Asia, Africa, Central and South America. SecTrack generates revenue from the sale of satellite telematics products to its network of international value added resellers ("VARs) and receives monthly recurring revenue from a subscriber base of more than 5,000 devices in active service. SecTrack has more than 17,000 registered units in service deployed globally.

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

On closing, the company delivered cash of Euro 1,600,000 (CAD \$ 2,453,600), of which Euro 300,000 (CAD \$ 460,050) is held in escrow by the Belgium based escrow agents (the "Escrowed funds"). The Escrowed funds are to be released subject to Sectrack achieving certain revenue and earning targets ("the contingencies") in the twelve months following the acquisition of Sectrack by BSM. . At the date of this report this contingency has not been resolved and therefore future adjustments may be required to the purchase price and Goodwill.

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

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

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

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

3 Capability to deliver results

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

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

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

- **Broad Service Coverage:** BSM offers its services on GPRS, 1xRTT, and satellite (Inmarsat D+ and Iridium). BSM's multi-mode communications platform which integrates both digital cellular and satellite communications enables real-time, high-speed data transmission with ubiquitous coverage. This approach permits the most future proofed, global terrestrial coverage options for vehicles that frequently travel beyond urban boundaries.
- **Scalability:** BSM OnLine™ was designed with growth in mind. As more customers are added, the capacity of BSM OnLine™ is easily expanded through simple expansion of hardware.
- **Accessibility and Reliability:** BSM OnLine™ is a Web-based solution that was designed with bandwidth and ease of access in mind. Web-connectivity is continually monitored for interruption

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in order to maintain high serviceability. Customers can access BSM OnLine™ services from anywhere through the Internet.

- Security: BSM OnLine™ provides its services in a secure environment and is protected physically; by secure data-center facilities and logically; via multi-tiered redundant firewalls, intrusion prevention systems as well as other electronic measures.

4 Results from operations

Noteworthy Highlights for the three months ended December 31, 2007

- Increased its revenue by \$ 676,998 or 48% quarter over quarter to \$ 2,077,408.
- Increased its Service revenue \$ 639,381 or 241% quarter over quarter to \$ 904,763.
- Increased its gross profit by \$259,068 or 35% quarter over quarter to \$ 992,986.
- Acquisition of Netistix Technologies Corporation on December 24, 2007.

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, 2007. The annual information has been derived from the Company's audited consolidated financial statements, while quarterly information has been derived from the Company's unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments necessary for the fair presentation of the information presented. Historically, the Company's operating results have fluctuated on a quarterly basis. The Company's revenues and operating results may vary significantly from quarter-to-quarter because of a number of other factors, many of which are outside the Company's control. These factors include the timing of product sales, which may result in large sales in any one-quarter due to the relatively unpredictability in the number and timing of hardware sales, length of the sales cycle, delays in the installation process etc. As a result, period-to-period comparisons may not be meaningful with respect to the past operations of the Company nor are they necessarily indicative of the future operations of the Company. The increase in operating expenses is largely attributed to certain one-time expenses and additions that were made to the sales, research and development, and operations functions. Management believes these additions are necessary to support the expected future growth sales.

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QE	Revenue	Gross Profit	Operating expenses	Other expenses (income)	Loss from continued operations	Loss for the period	Loss per share basic and diluted
December 31, 2007	2,077,408	992,986	1,836,496	172,582	(1,016,092)	(1,016,092)	(0.01)
September 30, 2007	2,411,723	1,092,340	1,865,210	132,909	(905,779)	(905,779)	(0.01)
June 30, 2007	2,359,171	932,977	1,588,808	124,517	(780,348)	(780,348)	(0.01)
March 31, 2007	2,121,873	961,753	1,480,421	110,526	(629,194)	(629,194)	(0.01)
December 31, 2006	1,400,410	733,918	993,043	109,292	(368,417)	(368,417)	(0.01)
September 30, 2006	1,454,082	687,959	949,904	105,141	(367,086)	(367,086)	(0.01)
June 30, 2006	901,836	419,594	922,075	23,966	(526,447)	(526,447)	(0.01)
March 31, 2006	613,957	317,222	713,478	18,687	(414,943)	(414,943)	(0.01)

Segmented Information

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

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

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Sales by Geographic segment are as follows:

	Three months ended	
	December 31, 2007	December 31, 2006
Canada	\$ 809,650	\$ 1,205,032
United States of America	198,261	195,378
South America	265,721	-
Asia	332,740	-
Europe	326,691	-
Australia	59,130	-
Africa	85,215	-
	<hr/> \$ 2,077,408	<hr/> \$ 1,400,410

Sales by category are as follows:

	Three months ended	
	December 31, 2007	December 31, 2006
Recurring service revenue	\$ 904,763	\$ 265,382
Non recurring hardware and software revenue	1,172,645	1,135,028
	<hr/> \$ 2,077,408	<hr/> \$ 1,400,410

Assets	December 31, 2007		September 30, 2007	
	Canada	\$ 6,836,463	\$ 5,060,662	
Belgium	912,910	782,483		
	<hr/> \$ 7,749,373	<hr/> \$ 5,843,145		

RESULTS OF OPERATIONS

Revenues:

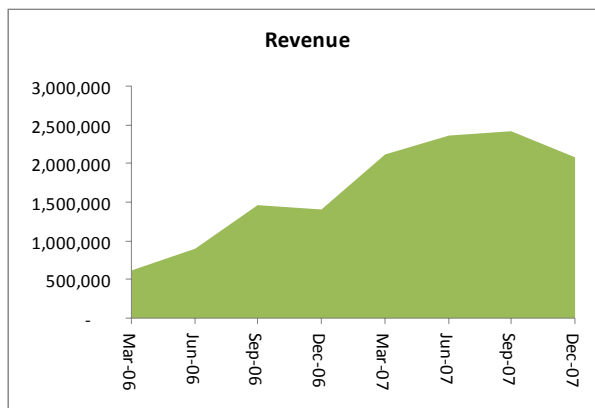
Revenue for the three months ended December 31, 2007 increased by 676,998 or 48% to \$ 2,077,408 from \$ 1,400,410 for three months ended December 31, 2006.

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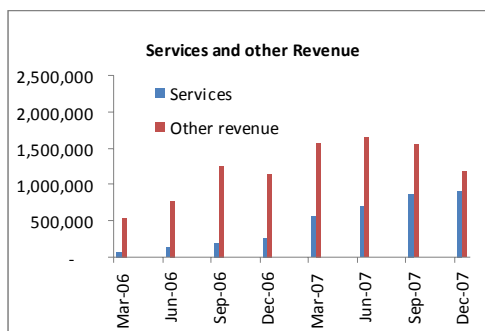


Increase in revenue is attributed to (i) the increase in the subscriber base of its sentinel FM product and services and (ii) the acquisition of Sectrack. The Company derives its revenue from the sale of its products, software licenses (self-hosted applications), services and resale of third party products and services. Services revenue includes monthly ASP service fees, monthly alarm monitoring fees, and resale of cellular & satellite data. The services portion of the revenues is recurring by nature.

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

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

Service revenue for the three months ended December 31, 2007 increased by \$ 639,381 or 241% to \$ 904,763 from \$ 265,382 for the three months ended December 31, 2006.



The increase in services revenue is attributable to (i) the growth in the installed base of subscribers to the company's Sentinel services, (ii) additional billable service features such as data bus integration, and (ii) the acquisition of Sectrack. In addition to subscribers, the Company's service revenue will be affected by a number of factors, including the rate at which service features or add-ons are adopted and pricing associated with the size and term of customer contracts.

The other revenue for the three months ended December 31, 2007 increased by \$ 37,617 to \$1,172,645 from \$ 1,135,028 for the three months ended December 31, 2006.

The increase in other revenues was due to the continued organic growth of the Company's product, the acquisition of Sectrack and the overall growth of the industry. The Company continues to increase its revenue through new customer hardware sales, thereby increasing its subscriber base. It has also endeavored to provide more comprehensive services to customer.

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

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

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

Gross Profit

The gross profit for the three months ended December 31, 2007 increased by \$ 259,068 to \$992,986 or 48% of the revenue from \$733,918 or 52% of the revenue for the three months ended December 31, 2006.

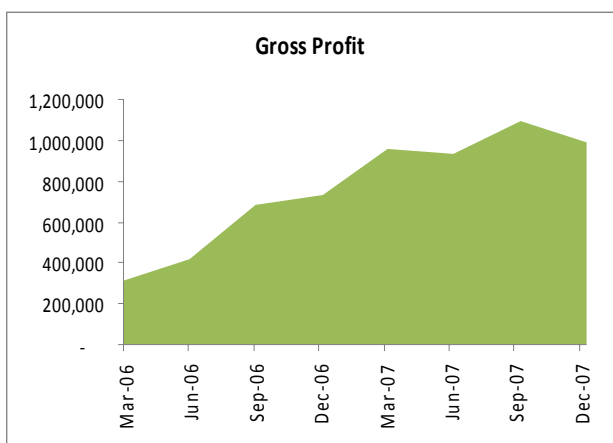
The increase in total gross profit was due primarily to (i) release of SFM1000, a cost reduced hardware device, (ii) increase in services subscriber base (iii) additional billable service features such as data bus integration offering and (ii) the additional gross profit contribution from Sectrack. This subsidiary generated \$342,511 in gross profit for the three months ended December 31, 2007.

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Gross profit margin for the three months ended December 31, 2007 was 48%, representing a decrease over the reported gross profit margin of 52% for the three months ended December 31, 2006. Gross profit as a percentage of revenues declined from the three months ended December 31, 2007 due primarily to the Sectrack business which produced gross profit as a percentage of revenues of approximately 32%. Profit margins are expected to decrease in the near term due to acquisition of Sectrack, larger volume orders, but increase in the long term as subscriber base for Sentinel grows.

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

Expenses:

Overall, operating expenses before interest expenses increased by \$886,792 to \$1,879,835 for the three months ended December 31, 2007, from \$ 993,043 for the three months ended December 31, 2006. The expenditure to revenue ratio increased to 90% for the three months ended December 31, 2007 from 71% for the three months ended December 31, 2006. The year over year increase in operating expenses was impacted by (i) inclusion of Sectrack (Sectrack's operating expenses before interest expenses and excluding one time expenses related to legal fees amounted to \$ 313,480) (ii) certain one-time expenses related to legal fees incurred to maintain the injunction against the supplier of Sectrack which was obtained in June 2007 amounted to approximately \$512,000, and (iv) additions that were made to the sales, research and development, and operations functions. Management believes these additions are necessary to support the expected future growth sales. Management believes that operating expenses have now stabilized and should not materially change going forward. The following table and graph summarize quarterly expenses and expenses as a percentage of revenue from January 1, 2006.

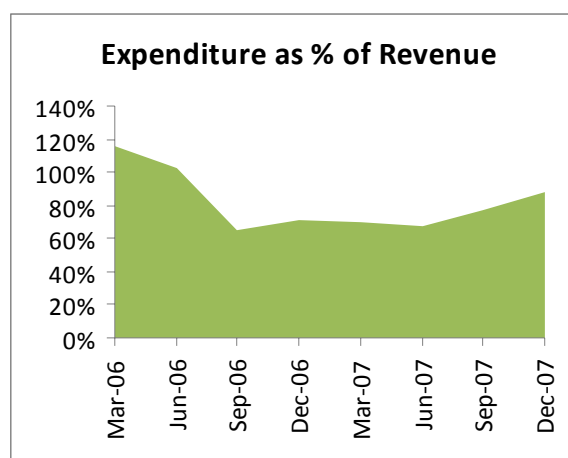
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QE	Expenses	% of Revenue
Mar-06	713,478	116%
Jun-06	922,075	102%
Sep-06	949,904	65%
Dec-06	993,043	71%
Mar-07	1,480,421	70%
Jun-07	1,588,808	67%
Sep-07	1,865,210	77%
Dec-07	1,836,496	88%



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

General and Administrative Expenses

General and administrative Expenses for the three months ended December 31, 2007 increased by \$ 635,913 to \$1,067,805 or 51% of revenue from \$431,892 or 39% of revenue for the for the three months ended December 31, 2006. The year over year increase is attributed to is attributed to (i) inclusion of Sectrack (expenses in this category related to Sectrack, excluding one time expenses related to legal fees for the three months ended December 31, 2007 amounted to \$ 108,772) (ii) increased one-time expenses related to legal fees incurred in the quarter to maintain the injunction against the supplier of Sectrack which was obtained in June 2007 amounted to approximately \$512,984. The injunction was successfully obtained and was necessary to protect the Company's long-term business interests, (iii) North American salaries and consultants fees increased by \$8,040 to \$ 275,541 from \$ 267,501 for the three months ended December 31, 2006, and (v) other North American expenses in this category increased by \$ 6,117 to \$170,508 from \$164,391 for the three months ended December 31, 2006. The increased staff and infrastructure are necessitated by the need to expand the Company's Canadian support infrastructure.

Research and Development Expenses

Research and Development Expenses increased by \$ 2,714 to \$265,152 or 13% of revenue for the three months ended December 31, 2007, from \$ 262,438 or 19% of revenue for the for the three months ended December 31, 2006. The increase in research and development Expenses was primarily due to increased investment in research and development activities. The Research and Development Expenses for the three months ended December 31, 2007 also includes expenditures for development of next generation of our products. These investments will lower the company's existing manufacturing costs, and add additional products and services that will allow the company to increase its revenue and margin in future periods.

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

Sales and Marketing Expenses

Marketing expenses includes the salaries and commissions of sales staff, advertising, promotions, and other attendant sales costs such as travel etc. Marketing expenses increased by \$ 133,609 to \$503,539 or 24% of revenue for the three months ended December 31, 2007, from \$ 369,930 or 26% of the revenue for the for the three months ended December 31, 2006. The increase in marketing expenses is attributed to inclusion of Sectrack (expenses in this category related to Sectrack, amounted to \$ 201,337). Salaries compensation of Canadian sales force decreased by \$66,604 to \$225,631 from \$292,235 and other attendant expenses of Canadian sales force in this category decreased by \$1,124 to \$76,571 from 77,695. The Company plans to increase its marketing efforts significantly in order to aggressively increase its subscriber base. Despite the expected increase in the marketing expenses the expected marketing expense as a percentage of total revenue will decrease as the company increases its overall revenue. Additions to sales infrastructure typically lead to a time gap between actual expenditures and the eventual sales that result. Management believes that the investments being made today in sales infrastructure will result in increased revenue in the future.

Interest expenses

Interest expense for the three months ended December 31, 2007 was \$4,817 (2006-\$3,937).

Interest portion of capital lease expense for the three months ended December 31, 2007 was \$6,071 (2006-\$Nil). The acquisition of various computer equipment for enhancing the Company's services offerings through a capital lease in Fiscal 2007 (thirty six months term) accounted for this quarterly change.

Interest on the convertible debenture for the three months ended December 31, 2007, was \$118,355 (2006-\$105,355). The penalty interest @ 4% per annum for failure to meet the EBITDA covenants accounted for the quarterly change. Interest and other expense on the debentures is composed of the interest calculated on the face value of the debentures, an quarterly notional interest representing the accretion of the carrying value of the debentures, and non-cash accretion of notional interest related to the fair value of the warrants and the amortization of deferred financing costs. Interest recorded was as follows:

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	December 31, 2007	December 31, 2006
Financial liability component	58,500	\$ 45,500
Notional interest representing accretion.	37,462	37,462
Amortization of Warrants	5,007	5,007
Amortization of deferred financing costs	17,386	17,386
	<u>\$ 118,355</u>	<u>\$ 105,355</u>

Depreciation and Amortization

Amortization of capital assets for the three months ended December 31, 2007, was \$43,339, compared with \$ 13,783 for the three months ended December 31, 2006. Acquisition of computer equipment for enhancing the Company's services offerings on a capital lease in Fiscal 2008 (for thirty six months term) accounted for the quarterly change. The Company plans to increase the spending of capital assets acquisition in order to continue to enhance its service offering to existing and future customers. Part of this capital assets acquisition will be by way of lease.

SR & ED

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

Net Loss

Net loss for the three months ended December 31, 2007, was \$1,016,092 or \$0.01 per share on a diluted basis compared with a net loss of \$368,417 or \$0.01 per share on a diluted basis for the for the three months ended December 31, 2006. The net loss per share for the three months ended December 31, 2007 was also impacted by an increase in weighted average number of common shares from 49,170,735 to 73,468,551.

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

5 LIQUIDITY AND CAPITAL RESOURCES:

The Company used \$190,881 to finance operating activities during the three months ended December 31, 2007, including \$915,936 in operating losses offset by a decrease of \$725,055 in non cash operating working capital. This compares with cash used in the three months ended December 31, 2006 of \$

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83,131 - \$294,779 to finance operating losses and an increase of \$211,648 in non cash operating working capital. Lower accounts receivable, higher accounts payable and inventory, eliminating the acquired receivable, inventory and payables on acquisition of Netistix accounted for the changes in the non-cash working capital.

Accounts receivable were \$1,088,271 as at December 31, 2007 compared with \$1,145,772 at December 31, 2006. Notwithstanding the inclusion of Sectrack and Netistix accounts receivable and a general increase in sales volume the lower receivables was primarily due to improved collection initiatives. The Company typically extends industry standard credit terms to customers with larger fleets, reducing accounts receivable turnover and contributing to larger accounts receivable balances. The monthly fluctuations in sales may also cause a large variance in the month end receivable balances. The inventory was \$ 689,688 as at December 31, 2007 compared with \$ 447,843 as at December 31, 2006. Higher inventory turnover notwithstanding the inclusion of Sectrack and Netistix inventory account for the change. The Company has recently undertaken initiatives to improve its product delivery processes and as a result, increased its inventory levels to ensure seamless order fulfillment. The Company balances its requirement to provide seamless order delivery with its intent to maximize its inventory turns. Inventory turnover for the three months ended December 31, 2007 was 25.1 days (three months ended December 31, 2006, -29 days)

At December 31, 2007, the working capital deficiency was \$ 1,613,030 (December 31, 2006- Working capital \$ 526,787). Working Capital has been calculated by netting current assets and current liabilities, and excluding deferred revenue which is a non cash item. The decrease in working capital is caused by (i) classification of Convertible debenture as a current liability and (ii) loss incurred in the three months.

During the three months ended December 31, 2007, the company was repaid \$ 26,622 by President & CEO of the Company and companies under his control (three months ended December 31, 2006-loan advance of \$2,281).

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

During the quarter ended December 31, 2007, the Company obtained regulatory approval for settlement of certain accounts payable by issuance of common shares. Pursuant to this approval a total of 276,785 common shares were issued at \$0.14.

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The Company had identified Onbelay Partners Ltd, a company controlled by Mr. John Bell and Mr. Aly Rahemtulla, both directors of the BSM Technologies Inc as related party. Pursuant to this share for debt settlement, Onbelay Partners Ltd acquired 142,857 common shares for consulting services provided by them during the year ended September 30, 2007, \$20,000 of this amount was outstanding as of September 30, 2007.

During the three months ended December 31, 2007, 211,916 options with an exercise price of \$0.20 per common share expired unexercised.

The Company maintains a \$200,000 (December 31, 2006-\$200,000) credit facility with a Canadian chartered bank. The balance outstanding at December 31, 2007 was \$199,624 (December 31, 2006-\$198,889). The facility allows for a borrowing limit of up to \$ 200,000. Security for the borrowings of the Company has been provided to the bank in the form of cash collateral agreement assigning GIC in the amount of \$200,000.

Capital expenditures by cash for the three months ended December 31, 2007, were \$11,339 compared with \$ 20,255 for the three months ended December 31, 2006. The Company anticipates increases in capital expenditures and lease commitments with its expected growth in operations and infrastructure. The Company also may establish additional operations as it expand globally.

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

The Company has experienced significant losses from operations during the last several years and has an accumulated deficit of \$10,252,053. The Company's continued existence is dependent upon its ability to achieve profitable operations and to obtain alternative financing. There can be no assurance that the Company will achieve profitable operations, or that financing efforts will be successful. Management believes that the strong functional and competitive capabilities of its product line will increase its revenue base therefore allowing it to achieve profitability. Funding of the Company's current operations and its ongoing growth activities are dependent on revenue growth and future financing.

Related Party transactions:

- i) The Company had previously identified Nick Cirella, President & CEO, Applied Innovations Group Inc and other companies under Mr. Cirella's control as related parties. The related parties

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are considered to have significant influence over the Company as defined under section 3840 of the CICA Handbook. During the three months ended December 31, 2007, the Company paid \$ 43,750 to a company under Mr. Cirella's control as management fee under a Management contract between the Company and Mr. Cirella (three months ended December 31, 2006-\$43,750).

During the three months ended December 31, 2007, the company was repaid \$ 26,622 by President & CEO of the Company and companies under his control (three months ended December 31, 2006-loan advance of \$2,281).

- ii) The Company had identified (a) Onbelay Partners Ltd, a company controlled by Mr. John Bell and Mr. Aly Rahemtulla, both directors of the BSM Technologies Inc, (b) Onbelay Capital Inc, a company controlled by Mr. John Bell a director of BSM Technologies Inc and (c) ANR Solutions Inc, a company controlled by Mr. Aly Rahemtulla, as related parties. On May 9, 2006, the Company proposed to issue up to \$1,500,000 in Convertible Debentures. TSX Venture Exchange's approval was obtained on July 7, 2006. Pursuant to this approval, the Company closed the debenture financing on July 7, 2006 and issued Convertible Debentures in the aggregate amount of \$1,300,000 and 2,260,869 warrants (the "Warrants"). The Convertible Debentures have a term of two (2) years and are convertible into common shares of BSM at the rate of one common share for each \$0.23 of debt converted. The Convertible Debentures are secured against the assets and undertaking of the Company and bear interest at the rate of 14% per year. The subscribers received one Warrant for each \$0.575 in principal amount of Convertible Debenture purchased. Each Warrant is exercisable at \$0.23 to acquire a further common share until July 7, 2008. Onbelay Partners Ltd, Onbelay Capital Inc and ANR Solutions Inc acquired an aggregate of \$500,000 of Convertible debenture and 869,565 Warrants.

During the three months ended December 31, 2007, The Company paid \$22,500 to the related parties as interest on the Convertible debenture (three months ended December 31, 2006-\$16,461).

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

8. COMMITMENTS

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

2008	186,889
2009	236,705
2010	245,881
2011	181,397

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(ii) Capital lease:

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

	2008	109,873
	2009	109,873
	2010	27,468
		<hr/>
		\$247,214
	Less: current portion:	(109,873)
		<hr/>
		\$137,341

SUBSEQUENT EVENTS

- i) On January 14, 2008, the Company completed a private placement of a \$450,000 Debenture Financing with a Company controlled by the acting chairman of the Company. The Debenture is secured against the assets of Netistix, and repayable upon the earlier of July 28, 2008 or receipt by Netistix of the funds evidenced by the notice of assessment from Canada Revenue Agency and the Department of Finance Canada determining the amount of the Investment tax credit refund claim (the "SRED Claim"). The Debenture bears an interest rate of 14% per annum. Upon Netistix's receipt of the funds and notice of assessment from Canada Revenue Agency the Debenture was repaid on January 28, 2008.
- ii) On January 18, 2008, the Company announced settlement of the debts of 10 former employees (the "Former Employees") of Netistix (the "Debt Settlement"), for shares of BSM. The Debt Settlement comprises the issuance of 3,652,070 BSM common shares, valued at \$0.13 per share, as settlement of the Former Employees' cumulative debt of \$474,769 for outstanding wages and expenses. TSX Venture Exchange approval was obtained on February 4, 2008 and the transaction was completed on February 5, 2008.
- iii) On February 14, 2008 the Company announced that its wholly-owned subsidiary, SecTrack NV ("SecTrack") had reached a full and final settlement of all outstanding legal claims with its key supplier, Satamatics Limited ("Satamatics") and a former employee. SecTrack and Satamatics have reached the terms of a comprehensive agreement that will see Satamatics continue to be a strategic supplier of D+ and IsatM2M products and airtime to SecTrack. Both companies will work closely together on market collaboration – with particular focus on customer development and new product deployment. Each party agreed to bear its own legal costs in relation to the Action. The agreement also provides a mechanism for customer protection and enhances the product and network services offering that allows Sectrack to expand its Global network.

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With this settlement agreement, the causes of action and claims in the litigation commenced on July 3, 2007, by SecTrack by obtaining a without notice Order for Injunction from the High Court of Justice of England and Wales will come to an end.

CONVERTIBLE DEBENTURE

On July 7, 2006, the Company obtained regulatory approval for non-brokered private placement Convertible debenture financing. Pursuant to this approval, the Company closed the debenture financing on July 7, 2006 and issued Convertible Debentures in the aggregate amount of \$1,300,000 and 2,260,869 warrants (the "Warrants"). The Convertible Debentures have a term of two (2) years and are convertible into common shares of BSM at the rate of one common share for each \$0.23 of debt converted. The Convertible Debentures are secured against the assets and undertaking of the Company and bear interest at the rate of 14% per year. Under the terms of the Convertible Debentures interest only is payable monthly. The subscribers received one Warrant for each \$0.575 in principal amount of Convertible Debenture purchased. Each Warrant is exercisable at \$0.23 to acquire a further common share until July 7, 2008. Pursuant to the terms of the Debentures, there are certain covenants of the Company in favor of the Debenture Holders including the right at the option of the debenture holders to prepayment of the Debentures in the event that the Company completes an equity financing of at least \$5,000,000 or there is a change of control. A change of control occurs where any Person (other than Nick Cirella or Onbelay Partners Limited) acquires control directly or indirectly of 20% or more of the voting shares of the Company except pursuant to a bona fide arm's length amalgamation, merger or acquisition transaction approved by the Debenture Holders (a "Permitted Change of Control") or where Nick Cirella becomes the direct or indirect beneficial owner of less than 30% of the voting shares of the Company, except in the circumstances of a Permitted Change of Control. The Debenture Holders have pre-emptive rights to participate pro rata in any equity or debt financings and have the right to maintain their current ratio of representation on the board of directors of 2:7. The Company is restricted from issuing shares at less than \$0.23 or at more than a 10% discount between \$0.23 and \$0.50 without the consent of the Debenture Holders. The Company is also obligated to maintain certain financial covenants pursuant to the Debentures. Commencing with the quarter ending December 31, 2006, the Company shall maintain minimum quarterly sales of \$750,000. In addition, the Company shall maintain minimum quarter ending EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) as follows: September 2006: (\$250,000); December 2006: (\$245,342) (as amended February 28, 2007); March 2007: (\$502,795) (as amended May 25, 2007); and June 2007: \$150,000. As consideration for the May 25, 2007 amendment to the terms of the Debentures, the Company agreed to pay the Debenture Holders an additional 0.333% interest per month for the three (3) months ended June 30, 2007 increasing monthly interest from 1.167% to 1.5% for an aggregate additional cost for interest for Q3 of \$13,000.

The Company did not meet the June 2007 EBITDA target and is in default of that covenant. As at December 31, 2007 the Debentures were in default. The Debenture Holders have made demand for payment and have agreed to a Forbearance of their right to exercise their remedies under the Debentures until April 1, 2008 after which date the Debentures will be immediately repayable. If the Debentures are not repaid at that time, the Debenture Holders have available to them all the remedies available at law and under the Debentures to enforce their right to repayment. From December 31, 2007 the 1.5% per month

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interest rate continues to apply. The Company paid a 3% interest penalty to the Debenture holders, representing a payment of approximately \$40,000, as consideration for the Forbearance.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares. As at December 31, 2007 there were 81,905,660 outstanding common shares, including 547,900 common shares remaining in escrow the release of which is subject to performance conditions of company attaining certain cash flow levels. As at the date of this report there were 85,557,730 outstanding common shares, due to issuance of 3,652,070 shares pursuant to regulatory approval for settlement of the debts of 10 former employees (the "Former Employees") of Netistix (the "Debt Settlement"), by shares of the Company subsequent to the December 31, 2007.

Included in the issued and outstanding common shares are 2,442,857 common shares of the Company, which the Company has issued in exchange for the acquisition of HGI. These shares are subject to a surplus escrow and will be released every six months in equal installments over a period of six years. As of December 31, 2007, 1,465,713, of the shares have been released from escrow.

As at December 31, 2007, there were 1,856,133 outstanding options to acquire common shares to directors, shareholders and employees of the Company at a weighted average price of \$ 0.20.

As of December 31, 2007, the Company had outstanding 22,702,533 warrants to acquire common share at a weighted average exercise price of \$0.23 per share. As of the date of this report, the Company had outstanding 14,495,869 warrants to acquire common share at a weighted average exercise price of \$0.23 per share due to expiry of 8,206,664 unexercised warrants.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2007, the company does not have any off balance sheet arrangements.

OUTLOOK:

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

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

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CRITICAL ACCOUNTING POLICIES & ESTIMATES

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the Company's consolidated financial statements is based on the selection and application of significant accounting policies, some of which require management to make significant estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to revenue, bad debts, investment tax credits, intangible assets, goodwill and income taxes. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control.

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

Revenue recognition

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

The Company generates revenue from the sale of its AVL products, which consist of hardware and software components. The Company records revenue on these sales when a signed contract has been executed, the product is delivered, there are no significant uncertainties surrounding product acceptance, the fees are fixed and determinable and collection is reasonably assured. The Company does not offer product warranties other than the warranties offered by the manufacturer, hence it does not provide for the estimated cost of product warranties upon shipment. When other significant obligations remain after products are delivered, revenue is recognized only after such obligations are fulfilled. Shipping and handling costs are included in cost of goods sold.

The Company generates recurring revenue from several sources, including the application services fee and the sale of support services for its AVL products. The Company also generates non-recurring revenue from consulting fees, training fees, installation charges and training related to its AVL products. Revenue from services is recognized when a signed contract has been executed, the services have been performed, fees are fixed and determinable, collectability is reasonably assured, and when all significant obligations have been filled. For services that extend over a period of time, revenue is recognized ratably over the term of the contract. Funds received in advance of the delivery of these services are recorded as deferred revenue

Investment tax credits

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

Goodwill

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

The guidance requires that an impairment test date be selected where a two-step process will be performed on an annual basis. The Company has chosen December 31 to be its annual impairment testing date. On December 31, 2007, the Company performed the impairment test and determined that there was no impairment of the recorded goodwill. As a result, the second step was not required.

CHANGE IN ACCOUNTING POLICIES

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

- a) Section 3862, “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, “Financial Instruments – Presentation” replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.
- b) Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives.

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

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

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

RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS:

Risk Factors

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

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

Potential Acquisitions and Investments

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

Volatility in stock price

The market price of the Company's Common Shares can be highly volatile and subject to fluctuations. These fluctuations in market price may continue due to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price fluctuations that have particularly affected the market price of equity securities of many high technology companies, and that have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. These fluctuations may be exaggerated if the trading volume of our common stock is low.

Foreign currency risk

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

Environment and market risk

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

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended September 30, 2007, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were

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effective as of September 30, 2007 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities. As there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

MI 52-109 also requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at September 30, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of September 30, 2007.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

FORWARD LOOKING STATEMENTS

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

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environment of rapidly changing technology. Readers should carefully review the risks described herein and in the other documents the Company files from time to time with the Ontario Securities Commission.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management has prepared these financial statements and all other information in accordance with accounting principles generally accepted in Canada. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment. In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee, which consists of members of non-managing directors.

FURTHER INFORMATION

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

CERTIFICATION

We have complied with the multilateral instrument 52-109