



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS JANUARY 23, 2010 3<sup>RD</sup> QUARTER OF FISCAL 2010

**Sigma Industries Inc.** (TSX-V: SIC), a leading composite and metal products manufacturer, has five operating subsidiaries and employs close to 350 people. The Company is active in the growing heavy-duty truck, coach, transit and bus, train and subway, machinery, agriculture and wind energy market segments. Sigma sells its products to original equipment manufacturers and distributors in the United States, Canada and Europe. The common shares of the Company trade on the TSX Venture Exchange under ticker symbol SIC.

# MESSAGE TO SHAREHOLDERS

. As anticipated, Sigma Industries' operating results improved slightly in the third quarter ended January 23, 2010. Despite the hesitations of the economy, which meant that business conditions remained challenging in some target markets, and the strength of the Canadian dollar, which continued to erode the value of our shipments to the United States, our third-quarter sales of \$11.9 million were the strongest of the last four quarters.

Operating profitability was stimulated by the timely strength in the heavy-duty truck market as a result of sales brought forward to late 2009 to avoid new U.S. environmental standards coming into effect January 1, 2010. Measures put in place at our plants to optimize production costs and the refocusing of our offerings on higher-margin products also contributed to this improvement.

Concretely, adjusted earnings before interest, taxes, depreciation and amortization were \$351,000, or 3.0% of sales. This is our highest margin since the beginning of the economic downturn early in the previous fiscal year. Our cash flow also improved appreciably during the quarter. Finally, our balance sheet continues to improve. We have reduced our net debt by almost \$400,000 since the beginning of the 2010 fiscal year.

The economy is still on a shaky footing and we expect the fourth quarter to be more difficult, mainly because of the counter effect of heavy-duty truck sales brought forward. That said, we expect economic recovery to make itself felt during our 2011 fiscal year beginning May 1, 2010. Given the appreciable progress of our profitability under conditions that are still very difficult, the rise in sales volume resulting from the recovery will have a large and virtually immediate effect on our profitability.

Although progress was made, we must pursue our efforts to make further gains in efficiency and flexibility throughout our organization. These efforts will maximize our cash flow and further strengthen our balance sheet.

We are pursuing the execution of our growth strategy aimed at providing innovative technical solutions that will meet our customers' needs through all stages of production and, especially, will position us as the integrator of these solutions. The development of environmentally friendly products and services will also remain a major strategic orientation.

I would like to express my appreciation to our customers for their confidence and to our employees for their unflinching dedication. It is also essential to state my grateful recognition of the patience of our shareholders. The continuing support of all our partners stimulates us to redouble the development and growth initiatives that will make Sigma Industries a source of lasting value.

(S) Denis Bertrand

Denis Bertrand  
Chairman and Chief Executive Officer  
Sigma Industries Inc.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Scope of Management's Discussion and Analysis**

In this Management's Discussion and Analysis ("MD&A"), the "Company", "we", "us", and "our" refer to Sigma Industries Inc. and its subsidiaries.

The following analysis provides a review of the Company's results of operations and cash flows for the three-month and nine-month periods ended January 23, 2010 compared with the three-month and nine-month periods ended January 24, 2009 and its financial condition as at January 23, 2010 compared to April 25, 2009. This document should be read in conjunction with the unaudited interim consolidated financial statements for the three-month and nine-month periods ended January 23, 2010 and January 24, 2009 and with our 2009 Annual Report. Additional information concerning Sigma Industries Inc. may be found on SEDAR web site at [www.sedar.com](http://www.sedar.com)

The following information takes into account all material events that took place until March 22, 2010, the date on which the Company's Board of Directors approved this MD&A.

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in Canadian dollars unless otherwise noted.

### **Non-GAAP Financial Measures**

This MD&A contains certain information that are not financial measures prescribed under GAAP. For example, the Company uses adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") as this measure obtained by adding net earnings (net loss) plus income taxes, financial expenses, depreciation and amortization, excluding the non-recurring restructuring costs. This measure allows management to evaluate the operational performance of the Company and the performance of its assets. Adjusted EBITDA do not have any meaning prescribed by GAAP. This is not designed to replace other measures of financial performance or the statement of cash flows as an indicator of liquid assets. This measure does not represent the funds available for the repayment of debt, the payment of dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other measures of performance calculated according to GAAP.

This measure is used by the Company because management believes they provide useful information regarding performance. It is a tool frequently used in the business world to analyze

and compare the performance of businesses in the sectors in which the Company and its subsidiaries operate. The definition of the measure that we adopted may differ from those of other businesses.

<b>Reconciliation of Adjusted EBITDA and Net Loss</b>				
(in thousands of Canadian dollars)	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<b>January 23, 2010</b>	<b>January 24, 2009</b>	<b>January 23, 2010</b>	<b>January 24, 2009</b>
Net loss	(699)	(1,965)	(3,528)	(9,665)
LESS (PLUS):				
Income tax recovery	(229)	(365)	(1,098)	(1,648)
Restructuring costs	79	124	394	560
Other non-cash charges	-	-	-	3,495
Total depreciation and amortization	722	847	2,214	2,728
Financial expenses	478	404	1,586	1,223
Adjusted EBITDA	351	(955)	(432)	(3,307)

## Company Overview

### Who are we?

As at January 23, 2010, the Company had five wholly-owned subsidiaries:

- Sigma US Industries Inc. ("Sigma US") and its subsidiary Sigma OH Industries Inc. ("Sigma OH"), located in the State of Ohio (United States), specialize in the manufacture of composite parts for the road transportation and public transit industries, namely bus and truck parts, farm machinery parts such as farm tractor hoods, and in the design of the state-of-the-art composite products for the industrial product market.
- René Composites Materials Ltd. ("René"), located in Saint-Éphrem-de-Beauce, Quebec, specializes in the manufacturing of composite parts for the road transport industry, such as parts for Class 7 and 8 trucks. In the last 30 years, René has developed strong relationships with its customers and its suppliers to become the leader in its field of expertise. Innovation, creativity and research into new production technologies allowed René to gain worldwide recognition from the major manufacturers in the heavy trucking industry. Moreover, Groupe Synergy Composites Inc. ("GSC") was wound up into its parent company René on April 25, 2009.
- Transcam Composites Inc. ("Transcam"), located in Saint-Éphrem-de-Beauce, Quebec, specializes in the manufacturing of dies and moulds for René's customers. In addition, the Acton Vale, Quebec, facility was closed at the end of October 2009.
- Faroex Ltd. ("Faroex"), located in Gimli, Manitoba specializes in the development and manufacturing of composite components for the road transportation, agriculture and wind energy industries;
- PNS Tech Inc. ("PNS"), located in Saint-Agapit, Quebec, specializes in the development, production and distribution of spare parts for the agricultural and snow removal industries.

For the three- and nine-month periods ended January 23, 2010 and January 24, 2009, the unaudited consolidated operating results of the Company include the results of these companies.

## Growth Objectives

For fiscal 2010, the Company's development strategy consists of:

- Increasing sales by stepping up penetration of potential market segments (Canada, USA and Europe) in composite flooring and components assembly;
- Reducing production costs by updating its machinery and equipment, consolidation of manufacturing plans; and
- Improving its existing products and developing new value-added products.

## Heavy-Duty (Class 8) Industry Overview

Effective on January 1, 2007, the new regulations of US Environmental Protection Agency (EPA) concerning diesel fuel and truck emissions have a significant influence on Class 5 to 8 retail truck sales since 2006. Furthermore, since 2008, sales have been affected by the economic slowdown and gas price volatility. Additional changes in EPA regulations became effective in January 2010 and resulted in an increase of new vehicle orders in the late stages of 2009 and in a decrease in January 2010.

Table 1 shows monthly Class 8 (33,001 lbs +) retail truck sales per manufacturer for the three-month period ended January 23, 2010:

**TABLE 1**

**Retail Sales Class 8 Trucks - Months from November 2009 to January 2010**

Company	November 2009		December 2009		January 2010		3rd Quarter-2010		3rd Quarter -2009	
	Units	Month last year change	Units	Month last year change	Units	Month last year change	Units	Quarter last year change	Units	Quarter last year change
		%		%		%		%		%
Freightliner	2,789	1.7%	3,665	12.4%	2,256	(10.7%)	8,710	2.1%	8,530	(4.0%)
International	2,522	(17.7%)	2,603	(8.8%)	2,191	3.8%	7,316	(8.9%)	8,032	(8.8%)
Kenworth	1,026	0.2%	1,655	5.5%	727	11.2%	3,408	5.0%	3,246	(14.6%)
Mack	771	1.3%	1,107	(16.3%)	553	53.6%	2,431	(0.5%)	2,443	(11.5%)
Peterbilt	956	(19.7%)	1,474	(25.7%)	850	14.7%	3,280	(16.2%)	3,916	(14.0%)
Volvo	686	(46.7%)	833	(21.8%)	672	24.4%	2,191	(24.2%)	2,891	8.3%
Sterling	69	(84.2%)	111	(80.5%)	83	(76.6%)	263	(80.7%)	1,360	(23.8%)
Other	42	(53.8%)	89	(27.6%)	55	(36.8%)	186	(38.2%)	301	(0.0%)
Total	8,861	(16.4%)	11,537	(9.5%)	7,387	0.2%	27,785	(9.6%)	30,719	(8.8%)

Source: Automotive News Data Center

Table 2 shows quarterly Class 8 (33,001 lbs +) retail truck sales for the years 2004 to 2010 harmonized with the Company's fiscal quarters.

**TABLE 2****Retail Sales Class 8 Trucks -per quarter harmonized with the fiscal quarters of the Company**

Year	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total	
	Units	Quarter-over-quarter change	Units	Quarter-over-quarter change	Units	Quarter-over-quarter change	Units	Quarter-over-quarter change	Units	Year-over-year change
		%		%		%		%		%
2010	22,464	6.4%	23,420	4.3%	27,785	18.6%				
2009	34,211	4.8%	33,686	(1.5%)	30,719	(8.8%)	21,122	(31.2%)	119,738	(7.0%)
2008	32,870	(28.4%)	31,263	(4.9%)	31,943	2.2%	32,631	2.2%	128,707	(50.2%)
2007	72,725	3.0%	72,462	(0.4%)	67,556	(6.8%)	45,934	(32.0%)	258,677	(2.9%)
2006	65,747	13.2%	66,678	1.4%	63,247	(5.1%)	70,591	11.6%	266,263	19.4%
2005	50,691	12.1%	56,398	11.3%	57,872	2.6%	58,092	0.4%	223,053	38.8%
2004	38,620	32.0%	38,387	(0.6%)	38,531	0.4%	45,218	17.4%	160,756	11.8%

Source: Automotive News Data Center

Table 3 shows annualized Class 8 (33,001 lbs +) retail truck sales per manufacturer for the years 2005 to 2009 harmonized with the Company's fiscal years.

**TABLE 3****Retail Sales - Class 8 - Annualized from May to April**

Manufacturer	2005		2006		2007		2008		2009	
	Units	Year-over-year change	Units	Year-over-year change	Units	Year-over-year change	Units	Year-over-year change	Units	Year-over-year change
		%		%		%		%		%
Freightliner	65,245	27.9%	78,653	20.6%	72,801	(7.4%)	28,012	(61.5%)	31,260	11.6%
International	43,258	65.4%	48,074	11.1%	47,630	(0.9%)	28,163	(40.9%)	30,569	8.5%
Kenworth	24,959	44.9%	29,239	17.2%	30,845	5.5%	17,137	(44.4%)	13,667	(20.3%)
Mack	23,055	34.1%	28,972	25.7%	25,085	(13.4%)	11,793	(53.0%)	10,120	(14.2%)
Peterbilt	28,188	40.3%	32,086	13.8%	34,052	6.1%	17,803	(47.7%)	15,550	(12.7%)
Volvo	22,208	37.1%	28,568	28.6%	27,501	(3.7%)	13,906	(49.4%)	10,914	(21.5%)
Sterling	13,075	28.7%	16,609	27.0%	16,168	(2.7%)	9,572	(40.8%)	6,504	(32.1%)
Other	3,065	13.9%	4,062	32.5%	4,595	13.1%	2,321	(49.5%)	1,154	(50.3%)
Total	223,053	38.8%	266,263	19.4%	258,677	(2.9%)	128,707	(50.2%)	119,738	(7.0%)

Source: Automotive News Data Center

## Consolidated Results of Operations

### Summary of quarterly consolidated results (unaudited, in '000s of CAN\$, except per share amounts)

2010 Quarters ended	July 25, 2009 \$	October 24, 2009 \$	January 23, 2010 \$		
Sales	11,230	10,712	11,878		
Adjusted EBITDA *	(491)	(292)	351		
Loss before income taxes	(1,877)	(1,821)	(928)		
Net loss	(1,477)	(1,352)	(699)		
Basic and diluted weighted average number of shares outstanding	42,899,095	42,899,095	42,899,095		
Basic and diluted net loss per share	(0.034)	(0.032)	(0.016)		
2009 Quarters ended	July 26, 2008 \$	October 25, 2008 \$	January 24, 2009 \$	April 25, 2009 \$	Total \$
Sales	15,209	16,761	14,256	11,257	57,483
Adjusted EBITDA *	382	(2,732)	(955)	(489)	(3,795)
Loss before income taxes	(895)	(8,088)	(2,330)	(1,707)	(13,020)
Net loss	(599)	(7,101)	(1,965)	(402)	(10,067)
Basic and diluted weighted average number of shares outstanding	42,899,095	42,899,095	42,899,095	42,899,095	42,899,095
Basic and diluted net loss per share	(0.014)	(0.166)	(0.046)	(0.009)	(0.235)
2008 Quarters ended	July 28, 2007 \$	October 27, 2007 \$	January 26, 2008 \$	April 26, 2008 \$	Total \$
Sales	18,780	19,034	14,769	17,186	69,769
Adjusted EBITDA *	(118)	437	414	1,560	2,294
Earnings (loss) before income taxes	(1,332)	(819)	551	199	(1,401)
Net earnings (net loss)	(935)	(583)	365	602	(550)
Weighted average number of shares outstanding					
Basic	42,899,095	42,899,095	42,899,095	42,899,095	42,899,095
Diluted	43,113,362	43,013,792	42,899,095	42,899,095	43,228,059
Basic and diluted net earnings (net loss) per share	(0.022)	(0.014)	0.009	0.014	(0.013)

\* Adjusted EBITDA is a non-GAAP financial measure obtained by adding net earnings (net loss) plus income taxes, financial expenses, depreciation and amortization, excluding the non-recurring gain on settlement of an insurance claim, restructuring costs, other non-cash charges and other-than-temporary loss in value on short-term investment.

Note: due to rounding, the sum of results for the quarters may differ slightly from the total shown for the full year.

### Sales

Consolidated sales for the third quarter ended January 23, 2010 reached \$11.9 million, down from \$14.3 million in the same quarter a year earlier. This decrease is mainly attributable to a reduction of more than \$1.3 million in sales of snow removal products as a result of unfavourable weather conditions in the peak winter season. In addition, sales of industrial products decreased by \$0.9 million due to lower production volume caused by the difficult economic environment. Furthermore, a decline of \$0.7 million in sales of agricultural products mainly stems from a decision to terminate production of certain components, as announced in December 2008, in order to focus on the most profitable products.

Conversely, sales to the bus market grew nearly 50.0% to reach \$2.2 million, reflecting new contracts in the transit bus market. These new contracts more than offset reduced production for the motor coach industry. Meanwhile, sales to the heavy-duty truck industry remained stable at \$6.1 million. This situation results from relative stability in heavy-duty vehicle sales in the third quarter of fiscal 2010 compared with the same period a year earlier.

Finally, the Company recorded tooling sales of \$1.4 million in the third quarter ended January 23, 2010, up from \$128,000 in the third quarter last year. These sales represent production, by the Company, of customer-owned tooling required for subsequent fabrication of new or redesigned components. Sales are allocated to the appropriate product line, but mainly include products for the heavy-duty truck industry.

For the first nine months of the current fiscal year, consolidated sales amounted to \$33.8 million, down from \$46.2 million in the corresponding period a year earlier. This decline stems from lower sales to the heavy-duty truck industry as well as reduced snow removal, agricultural and industrial product sales, partially offset by higher sales to the bus industry.

### **Segmented Information**

#### **Sales by product line (in '000S of CAN\$)**

	<b>Three-month periods ended</b>				<b>Nine-month periods ended</b>			
	<b>January 23, 2010</b>		<b>January 24, 2009</b>		<b>January 23, 2010</b>		<b>January 24, 2009</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Heavy duty truck – Class 8	6,119	51.5%	6,094	42.7%	17,588	52.0%	22,877	49.5%
Bus	2,167	18.2%	1,476	10.3%	6,266	18.5%	3,916	8.5%
Snow removal	1,347	11.3%	2,663	18.7%	3,647	10.8%	5,922	12.8%
Agriculture	421	3.5%	1,111	7.8%	2,021	6.0%	4,682	10.1%
Industrial	717	6.0%	1,589	11.1%	1,892	5.6%	4,705	10.2%
Wind energy	783	6.6%	1,035	7.4%	1,570	4.6%	2,616	5.7%
Others	324	2.7%	288	2.0%	836	2.5%	1,508	3.2%
	11,878	100.0%	14,256	100.0%	33,820	100.0%	46,226	100.0%

#### **Sales by geographic region (in '000S of CAN\$)**

	<b>Three-month periods ended</b>				<b>Nine-month periods ended</b>			
	<b>January 23, 2010</b>		<b>January 24, 2009</b>		<b>January 23, 2010</b>		<b>January 24, 2009</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
United States	7,244	61.0%	8,095	56.8%	20,350	60.2%	28,919	62.6%
Canada	3,829	32.3%	5,745	40.3%	11,451	33.9%	16,173	35.0%
South America	653	5.5%	14	0.1%	1,139	3.4%	117	0.3%
Asia	13	0.1%	189	1.3%	415	1.2%	547	1.2%
Europe	6	0.0%	114	0.8%	179	0.5%	343	0.7%
Australia	133	1.1%	99	0.7%	286	0.8%	127	0.2%
	11,878	100.0%	14,256	100.0%	33,820	100.0%	46,226	100.0%

For the quarter ended January 23, 2010, sales to the United States amounted to \$7.2 million, or 61.0% of total sales, compared with \$8.1 million, or 56.8% of sales, for the quarter ended January 24, 2009. For the nine-month period ended January 23, 2010, sales to the United States reached \$20.4 million, or 60.2% of total sales, compared with \$28.9 million, or 62.6% of sales, for the first nine months of the previous fiscal year.

This reduction for the three- and nine-month periods ended January 23, 2010 is attributable to lower activity resulting from the global economic slowdown most particularly affecting the United States.

For the three- and nine-month periods ended January 23, 2010, sales from the five largest customers represented, respectively, 67.9% and 66.7% of the Company's total sales, compared with 61.5% and 65.3%, respectively, for the three- and nine-month periods ended January 24, 2009. Three of these customers represented more than 10% of the Company's total sales for the three- and nine-month periods ended January 23, 2010. Two of these customers represented more than 10% of the Company's total sales for the three- and nine-month periods ended January 24, 2009. For those same periods, the most important customer represented sales 2.1 times and 1.4 time, respectively, greater than those of the second most important customer of the Company.

Generally speaking, the Company's sales are not subject to seasonal factors with the exception of snow removal and agricultural products. However, these two product categories tend to have opposite seasonal fluctuations that mitigate seasonality on consolidated operating results.

### **Cost of sales and operating expenses**

Cost of sales and operating expenses totalled \$11.6 million, or 97.4% of the Company's sales during the third quarter of fiscal 2010, compared with \$15.2 million, or 106.3% of sales for the corresponding period of fiscal 2009. The reduction in monetary terms is attributable to lower sales between the two periods, while the reduction as a percentage of sales mainly reflects the favourable impact of manufacturing cost optimization initiatives implemented earlier as well as the reorientation of the product line in favour of higher margin products.

In addition, the third quarter of fiscal 2009 included residual cost overruns, initially incurred in the second quarter of that fiscal year, related to the production of certain components destined to the agricultural equipment and the bus industries. These costs were due to problems encountered during the implementation of new technological processes at the Sigma OH facilities in Ohio, which caused an increased amount of work to be outsourced. The Company announced in December 2008 that it would cease manufacturing these components.

For the nine-month period ended January 23, 2010, cost of sales and operating expenses reached \$33.7 million, or 99.8% of sales, compared with \$49.9 million, or 107.9% of sales, in the nine-month period ended January 24, 2009. The improvement as a percentage of sales essentially reflects the aforementioned items.

### **Foreign Exchange Loss (Gain)**

The foreign exchange gain of \$36,932 recorded during the third quarter of fiscal 2010 is mainly attributable to the variation in the value of the Canadian dollar versus the US dollar, as it moved from a closing rate of 1.0519 as at October 24, 2009 to 1.0581 as at January 23, 2010. For the first nine months of fiscal 2010, the foreign exchange loss amounted to \$451,548, as the closing rate moved from 1.2097 as at April 25, 2009 to 1.0581 as at January 23, 2010.

To reduce the impact of future foreign exchange gains or losses, the Company concluded contracts to sell and purchase US dollars at various forward rates, which are summarized as follows:

Description	Expiration Date	Contractual Amount \$	Weighted Average Contractual Forward Rate \$
<b>As at January 23, 2010</b>			
Sale of US dollars	February 2010 to January 2011	4,000,000	1.1462

As at January 23, 2010, the Company's consolidated balance sheet showed unrealized assets of \$346,833.

During the third quarter ended January 23, 2010, the Company sold a net amount of US\$2.0 million at an average exchange rate of CAN 1.1522 for a net amount of CAN\$2.3 million. During the third quarter of the preceding year, the Company had sold a net amount of US\$130,000 at an average rate of CAN 0.564 for a net amount of CAN\$73,257.

During the first nine months of the current fiscal year, the Company sold a net amount of US\$6.5 million at an average exchange rate of CAN 1.1249 for a net amount of CAN\$7.3 million. During the first nine months of the preceding year, the Company had sold a net amount of US\$7.9 million at an average rate of CAN 1.030 for a net amount of CAN\$8.2 million.

### **Adjusted EBITDA**

During the third quarter of fiscal 2010, the Company recorded an adjusted EBITDA of \$350,971 compared with an adjusted loss of \$955,029 for the same period last year. This \$1.3 million improvement reflects the favourable impact of manufacturing cost optimization initiatives implemented earlier, the reorientation of the product line in favour of higher margin products and cost overruns that affected fiscal 2009 results.

In addition, adjusted EBITDA for the third quarter of the current fiscal year marks a further improvement of approximately \$643,000 from an adjusted loss of \$291,723 in the second quarter. This increase also reflects cost optimization initiatives as well as the reorientation of the product line in favour of higher margin products.

Canadian operations generated an adjusted EBITDA of \$330,211 in the third quarter of fiscal 2010, compared with an adjusted EBITDA of \$29,424 in the third quarter last year. Meanwhile, Sigma US Industries, the Company's self-sustaining foreign subsidiary, had an adjusted EBITDA of \$20,760 compared with an adjusted loss of \$984,453 last year, as residual effects of the cost overruns affected results in the third quarter of fiscal 2009.

For the first nine months of the current fiscal year, the adjusted loss before interest, taxes, depreciation and amortization amounted to \$432,379 compared with an adjusted loss of \$3.3 million for the same period a year earlier. The greater loss incurred a year ago reflects cost overruns that affected the period. Canadian operations generated an adjusted EBITDA of \$35,591, compared with an adjusted EBITDA of \$814,238 last year, while the self-sustaining foreign subsidiary recorded an adjusted loss of \$467,970 in the first nine months of fiscal 2010 compared with an adjusted loss of \$4.1 million in fiscal 2009.

## **Financial Expenses**

Financial expenses for the third quarter ended January 23, 2010 amounted to \$478,007 compared with \$403,956 for the same period last year. This increase is attributable to an increase in interest rates applicable to the Company's credit facilities since the beginning of fiscal 2010.

For the nine-month period ended January 23, 2010, financial expenses reached \$1.6 million, up from \$1.2 million for the corresponding period last year.

As at January 23, 2010, approximately 72.8% of the Company's long-term debt, representing \$15.3 million out of a total long-term debt of \$21.0 million (including the current portion, but excluding deferred financing expenses) bears a variable interest rate.

## **Depreciation and Amortization**

Depreciation and amortization for the third quarter of fiscal 2010 reached \$722,099, down from \$847,287 in the third quarter of fiscal 2009. The decline essentially mirrors a reduction in additions to property, plant and equipment as a result of the generalized reduction in business activity in recent quarters.

For the nine-month period ended January 23, 2010, depreciation and amortization stood at \$2.2 million compared with \$2.7 million in the nine-month period ended January 24, 2009.

## **Restructuring Costs and Other Non-Cash Charges**

For the three- and nine-month periods ended January 23, 2010, the Company recorded restructuring costs totalling \$78,805 and \$393,818, respectively. These costs represent professional fees and severance expenses. For the three- and nine-month periods ended January 24, 2009, these costs amounted to \$123,976 and \$560,407, respectively.

Of note, a charge of approximately \$300,000 related to the closure of the Acton Vale facility initially expected to be recorded in the second quarter of fiscal 2010 has not been incurred as anticipated. However, management believes this amount will be recorded if it is unable to dispose of equipment and machinery associated with that facility.

During the nine-month period ended January 24, 2009, the Company recorded a non-cash charge of \$3.5 million mainly related to the writeoff of certain assets of the GSC subsidiary, whose plant closed at the end of December 2008, as well as the writeoff of tooling associated with contracts terminated by Sigma OH.

## **Income Tax Recovery**

For the quarter ended January 23, 2010, the Company benefitted from an income tax recovery of \$228,682 (or 24.6% of loss before income taxes) compared with a recovery of \$364,751 (or 15.7% of loss before income taxes) for the same period last year. The higher recovery rate in fiscal 2010 is due to the fact that the loss incurred in the third quarter of 2009 by the self-sustaining foreign subsidiary Sigma OH was not subject to an income tax recovery, owing to the prior writeoff of an amount of \$1.3 million representing the subsidiary's future income tax assets because of accumulated losses since its acquisition.

For the first nine months of the current fiscal year, the income tax recovery stood at \$1.1 million (or 23.7% of loss before income taxes) compared with a recovery of \$1.6 million (or 14.6% of loss before income taxes) for the corresponding period a year earlier. Excluding the writeoff of the U.S. subsidiary's future income tax assets, the income tax recovery for the first nine months of fiscal 2009 would have been \$2.9 million (or 26.0% of loss before income taxes).

## Net loss

The Company's net loss for the quarter ended January 23, 2010 amounted to \$699,258, or a basic and diluted loss of \$0.016 per share, compared with a net loss of \$2.0 million, or a basic and diluted loss of \$0.046 per share, for the quarter ended January 24, 2009. The decrease in the Company's net loss versus the corresponding period a year ago reflects manufacturing cost optimization initiatives implemented earlier, the reorientation of the product line in favour of higher margin products and cost overruns that affected fiscal 2009 results. The Company also reduced its net loss in comparison with the two previous quarters of the current fiscal year, as it had then reached \$1.5 and \$1.4 million, respectively.

For the nine-month period ended January 23, 2010, the net loss totalled \$3.5 million, or a basic and diluted loss of \$0.082 per share. For the nine-month period ended January 24, 2009, the net loss amounted to \$9.7 million, or a basic and diluted loss of \$0.225 per share.

## Financial Position

### Consolidated Balance Sheet Data (unaudited in '000s of CAN\$)

	July 25, 2009	October 24, 2009	January 23, 2010	
	\$	\$	\$	
Current assets	18,226	18,607	15,772	
Total assets	46,688	46,156	42,944	
Current liabilities	17,691	19,203	17,871	
Total liabilities	37,881	38,523	36,046	
Shareholders' Equity	8,807	7,633	6,898	

  

	July 26, 2008	October 25, 2008	January 24, 2009	April 25, 2009
	\$	\$	\$	\$
Current assets	22,359	26,300	20,718	16,974
Total assets	56,965	59,640	53,255	46,558
Current liabilities	18,719	43,747	39,463	15,230
Total liabilities	37,261	47,961	43,368	36,927
Shareholders' Equity	19,704	11,679	9,887	9,631

  

	July 28, 2007	October 27, 2007	January 26, 2008	April 26, 2008
	\$	\$	\$	\$
Current assets	27,915	25,786	25,278	22,305
Total assets	57,892	56,445	56,029	57,035
Current liabilities	22,757	22,563	20,911	17,992
Total liabilities	37,986	37,111	36,336	36,722
Shareholders' Equity	19,906	19,334	19,693	20,313

## **Assets**

Total assets decreased to reach \$42.9 million as at January 23, 2010, compared with \$46.6 million as at April 25, 2009.

The value of current assets also decreased to \$15.8 million as at January 23, 2010 compared with \$17.0 million as at April 25, 2009. This decrease is mainly due to a \$0.8 million reduction in accounts receivable and a \$1.2 million decrease in inventories resulting from the Company's lower business volume since the beginning of fiscal 2010. Conversely, cash, increased to \$722,077 as at January 23, 2010, up from \$3,411 as at April 25, 2009.

The quality of accounts receivable remains excellent, as 49.6% of accounts were outstanding for less than 30 days and 39.6% for between 31 and 60 days as at January 23, 2010. With respect to inventories, the decrease is essentially attributable to lower raw materials inventories.

The value of property, plant and equipment (PPE) decreased by \$2.6 million to \$19.9 million as at January 23, 2010. This reduction reflects a depreciation charge in excess of additions to PPE since the beginning of the fiscal year and, to a lesser extent, the rise in the value of the Canadian dollar on PPE of the Company's self-sustaining foreign subsidiary.

The value of intangible assets declined by \$818,240 to reach \$4.2 million as at January 23, 2010 owing to the related amortization expense.

## **Liabilities**

As at January 23, 2010, the Company's total liabilities decreased to \$36.0 million, compared with \$36.9 million as at April 25, 2009.

The value of current liabilities grew by \$2.6 million to reach \$17.9 million as at January 23, 2010. This increase in part reflects a \$2.0 million increase in the current portion of long-term debt as well as a \$1.6 million increase in bank loans.

The Company has an authorized bank credit line of CAN \$10.0 million, bearing interest at prime rate plus 3.5%. The Company also has an available line of credit of US\$1.0 million, bearing interest at US prime rate plus 4.0% and a real estate line of credit of CAN \$1.0 million, bearing interest at prime rate plus 4.0%. Furthermore, it has an available credit facility of \$2.0 million to hedge against foreign exchange risk and a credit of \$250,000 for risks related to the settlement of electronic funds transfers. These credit facilities are renewable annually.

Long-term debt, including the current portion and deferred financing expenses, stood at \$20.6 million as at January 23, 2010, down \$1.2 million from \$21.8 million as at April 25, 2009.

Since the beginning of the current fiscal year, the Company's net debt has been reduced by \$0.4 million, to reach \$24.9 million as at January 23, 2010. Net debt is defined as long-term debt, including the current portion, plus bank loans, minus cash and cash equivalents

## Financial Ratios

Under its credit agreements, the Company has agreed to respect certain conditions and financial ratios, which have all been met.

## Liquidity, Cash Flows and Capital Resources

The following table sets forth summarized cash flow components for the periods indicated.

Summary of quarterly cash flows:

Summary of cash flows	Three-month periods ended		Nine-month periods ended	
	January 23, 2010	January 24, 2009	January 23, 2010	January 24, 2009
(in '000s of CAN\$)				
Operating activities	209	284	(1,271)	(2,930)
Financing activities	(414)	130	1,004	5,343
Investing activities	(17)	(216)	312	(1,757)
Effect of foreign exchange rate changes on cash and cash equivalents	(21)	313	674	(446)
Net change in cash and cash equivalents	(243)	511	719	210
Cash and cash equivalents – Beginning of period	965	352	3	653
Cash and cash equivalents – End of period	722	863	722	863

The Company believes that these liquidities, combined with its renewable credit facility and its funds from operations in the next quarters, will be adequate to meet its cash requirements for the foreseeable future. However, the debt repayment moratorium will expire at the end of April 2010, and the Company is pursuing its negotiations with its financial institutions. The Company is also considering different alternatives, including the sale of assets and equity offering, in order to increase its liquidities and meet the future financial ratios.

### Operating Activities

For the third quarter ended January 23, 2010, cash flows from operating activities before the net change in non-cash working capital items increased liquidities by \$27,404 compared with a reduction of \$1.7 million for the three-month period ended January 24, 2009. This variation is primarily attributable to a reduction in the Company's net loss.

Non-cash working capital items provided cash of \$181,805 during the third quarter of fiscal 2010, as decreases in accounts receivable and inventories during the quarter were partially offset by a decrease in deferred revenues. In the third quarter of fiscal 2009, non-cash working capital items had generated funds of \$1.9 million. Cash flows from operating activities thus increased liquidities by a net amount of \$209,209 in the third quarter of fiscal 2010 compared with an increase of \$284,491 a year earlier.

For the first nine months of the current fiscal year, cash flows from operating activities before the net change in non-cash working capital items required funds of \$2.6 million compared with \$4.8 million for the same period last year. Considering net changes in non-cash working capital items, operating activities used cash of \$1.3 million versus \$2.9 million a year ago.

## **Financing Activities**

For the third quarter of fiscal 2010, cash flows from financing activities reduced funds by \$413,746. This reduction is entirely due to the repayment of bank loans and long-term debt. During the third quarter of fiscal 2009, cash flows from financing activities had generated funds of \$129,685.

For the nine-month period ended January 23, 2010, financing activities generated positive cash flows of \$1.0 million compared with positive cash flows of \$5.3 million for the corresponding period a year earlier.

## **Investing Activities**

Cash flows from investing activities reduced funds by \$16,828 in the third quarter of fiscal 2010, while this reduction amounted to \$215,689 in the third quarter of fiscal 2009. This situation mirrors reduced additions to property, plant and equipment resulting from lower overall activity in most of the Company's business segments.

For the nine-month period ended January 23, 2010, cash flows from investing activities generated liquidities of \$311,911 as opposed to a \$1.8 million reduction in cash for the corresponding period a year earlier.

## **Shareholders' Equity**

### **Share Capital**

There have been no changes in the Company's share capital since April 25, 2009.

### **Stock Options for Directors, Officers, Employees and Consultants**

The Company's stock option plan for its employees, officers, directors and consultants came into effect on October 7, 2005. The maximum number of shares issuable under the plan is limited to 10% of the Company's issued and outstanding shares. Options vest over a five-year period and are exercisable under the terms and conditions established by the Board of Directors at the date of grant. The purchase price of the shares under the plan cannot be less than the discounted market price.

The following table presents information about stock options outstanding and exercisable under the plan as of January 23, 2010:

	<b>Number</b>	<b>Total compensation costs (Note a) \$</b>
	<hr/>	<hr/>
Number and total stock-based compensation costs since the effective date of the stock option plan	2,425,000	550,677
Stock-based compensation costs for the prior years		536,792
Impact of the stock options exercised and forfeited on stock-based compensation costs		13,886
Options outstanding and exercisable as at January 23, 2010	1,355,000	
Options exercised since the effective date of the stock option plan	540,000	
Options forfeited since the effective date of the stock option plan	530,000	

Note a- Total compensation costs during the vesting period.

There have been no changes in the stock option plan as of the date of this MD&A.

### **Warrants**

The following table summarizes information about warrants outstanding and exercisable as at January 23, 2010:

<b>Latest Exercise Date</b>	<b>Exercise Price</b>	<b>Number</b>	<b>Value (if fully exercised)</b>
October 6, 2010	\$0.40	100,000	40,000
March 14 and 29, 2012	\$1.15	2,778,159	3,194,883

There have been no changes in the Company's outstanding and exercisable warrants as of the date of this MD&A.

### **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the fair value of property, plant and equipment, intangible assets and goodwill, the allowance for doubtful accounts, the provision for obsolete inventory, the valuation allowance against future income tax assets, the useful lives of property, plant and equipment and intangible assets and certain accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

The following summarizes the principal accounting policies that require critical judgment and estimates by management. Please refer to the appropriate section of the Company's financial statements in the 2009 Annual Report for a complete description of significant accounting policies.

### **Allowance for Doubtful Accounts**

The Company assesses the recovery of accounts receivable on a regular basis by examining accounts receivable over time. It establishes an allowance for doubtful accounts based on its past experience in recovering accounts receivable and on the information available with regard to the status of its outstanding accounts receivable. Should its customers' financial position deteriorate so as to reduce their ability to make the required payments, an additional allowance may be required that may have an adverse effect on the Company's future results.

### **Allowance for Excess or Obsolete Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in first out method for raw materials and using the absorption costing method for work in progress and finished goods.

The Company establishes these allowances based on inventory levels and forecast requirements to support the future sale of its products. Additional allowances may be required should future sales be lower or the sales mix be very different from expected, which could have an adverse effect on the Company's future results.

### **Valuation of Goodwill and Intangible Assets**

Property, plant and equipment and intangible assets with finite useful lives are subject to an impairment test when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of an asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value of the asset over its fair value.

Intangible assets with finite useful lives are written down whenever there is impairment of the unamortized portion. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment exists when the carrying amount of the intangible asset exceeds its fair value. As at January 23, 2010, there were no events or circumstances indicating that the carrying value of intangible assets may not be recoverable.

Finally, goodwill is tested for impairment annually or more frequently if impairment indicators arise, in relation to the fair value of each reporting unit to which goodwill applies. An impairment loss is recognized for any goodwill that is considered impaired. As at January 23, 2010, there were no events or circumstances indicating that an impairment loss should be recognized.

### **Recognition of financial assets and liabilities**

Held-for-trading financial assets and liabilities are recognized at fair value, and any change in the fair value is reflected in net earnings. Held-to-maturity financial assets and liabilities, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value or at cost if there are no quoted prices in an active market and changes are recognized in comprehensive income (loss).

The Company has elected to capitalize transaction costs upon initial recognition and to present them with the related financial instruments. They are then amortized using the effective interest method.

Following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Derivative foreign currency forward contracts	Held for trading
Other financial liabilities	Other than held for trading

### *New accounting standards and pronouncements*

#### *Accounting changes adopted*

On April 26, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA")

Section 3064, "*Goodwill and Intangible Assets*". This Section establishes standards for the recognition, measurement, presentation and disclosure applicable to intangible assets. It replaces Section 3062, "*Goodwill and Other Intangible Assets*", and Section 3450, "*Research and Development Costs*".

EIC-173 "*Credit Risk and the Fair Value of Financial Assets and Liabilities*". This standard clarifies the application of Section 3855 "*Financial Instruments – Recognition and Measurement*".

The Company has applied these changes prospectively. The implementation of these standards had no impact on the Company's consolidated financial results.

#### *Future accounting changes*

In January 2009, the CICA issued Sections 1582, "*Business Combinations*", 1601, "*Consolidated Financial Statements*", and 1602, "*Non-controlling Interests*".

Section 1582 will be converged with IFRS 3, "*Business Combinations*". Section 1602 will be converged with the requirements of IAS 27, "*Consolidated and Separate Financial Statements*", for non-controlling interests. Section 1601 carries forward the requirements of Section 1600, "*Consolidated Financial Statements*", other than those relating to non-controlling interests.

Section 1582 applies to transactions where the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be "improbable", will be measured at fair value. Acquisition costs must be expensed.

Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. Net income will be calculated without deduction for the non-controlling interest. Rather, net income will be allocated between the controlling and non-controlling interests.

The new standards will become effective in 2011.

The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

#### *Harmonization of Canadian and International Standards*

In February 2008, the Accounting Standards Board of Canada confirmed that the Canadian GAAP, as used by publicly accountable enterprises, will be converged with the International Financial Reporting Standards (“IFRS”) published by the International Accounting Standards Board. The Company will have to present its interim and annual financial statements for fiscal 2012 according to IFRS. The Company is currently developing an IFRS transition plan which will include the differences between IFRS and the Company’s current accounting policies as well as changes to financial reporting and information technology.

### **FINANCIAL AND OTHER INSTRUMENTS**

#### *Fair value*

Cash and cash equivalents, derivative foreign currency forward contracts and bank loans are recorded at fair value while accounts receivable, accounts payable and accrued liabilities and long-term debt are financial instruments whose carrying value approximates their fair value due to their short-term maturity or current market rates for most of the long-term debt items.

#### *Credit risk*

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. Cash is held with Canadian and U.S. chartered banks. Therefore, the Company considers the risk of non-performance on this instrument to be remote.

Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Allowance for doubtful accounts amounted to \$362,046 as at January 23, 2010 and \$450,769 as at April 25, 2009.

In February 2009, the Company has purchased insurance provided by Export Development Canada for its major trade accounts receivable in the United States.

### ***Interest rate risk***

As at January 23, 2010 and April 25, 2009 the Company's exposure to interest risk is as follows:

Cash	Variable interest rate
Accounts receivable	Non-interest bearing
Derivative foreign currency forward contracts	Non-interest bearing
Bank loans	Variable interest rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 6 to the interim consolidated financial statements for the three-month and nine-month periods ended January 23, 2010

### **OFF-BALANCE SHEET ARRANGEMENTS**

There were no off-balance sheet arrangements in the interim consolidated financial statements as at January 23, 2010.

### **CONTRACTUAL OBLIGATIONS**

The table below summarizes the Company's contractual obligations for its operating leases, the acquisition of property, plant and equipment and long-term debt as at January 23, 2010:

Periods	Operating leases \$	Long-term debt	Total
0-12 months	90,062	3,194,023	3,284,085
13-24 months	8,736	4,152,671	4,161,407
25-36 months	5,327	4,444,590	4,449,917
37-48 months	2,151	5,181,594	5,183,745
49-60 months	-	820,605	820,605
Thereafter	-	3,188,602	3,188,602
	<u>106,276</u>	<u>20,982,085</u>	<u>21,088,361</u>

Certain leases include a renewal option.

### **RELATED PARTY TRANSACTIONS**

There were no related party transactions for the three-month and nine-month periods ended January 23, 2010 and January 24, 2009.

### **SUBSEQUENT EVENTS**

On December 1, 2009, the Company announced that its self-sustaining foreign subsidiary, Sigma OH Industries Inc. ("Sigma OH"), has filed for Chapter 11 protection. Sigma OH will continue to operate as a Debtor-in-Possession under applicable United States Bankruptcy provisions. Sigma OH is planning to conduct a sale of its assets under section 363 of the Bankruptcy Code. As at the

date of the filing, Sigma OH has an outstanding secured debt of approximately US\$5.1 million, essentially with state and local authorities, and accounts payable totalling nearly US\$2.2 million.

As part of an auction held on February 24, 2010, a new U.S. subsidiary, Sigma 2010 Inc., made an offer to buy Sigma OH's property, plant and equipment in consideration of the assumption of the US\$5.1 million secured debt plus US\$10,000.

On March 4, 2010, the Northern District of Ohio Bankruptcy Court approved this offer.

## **RISKS AND UNCERTAINTIES**

The following is a summary of the main risks that might have an impact on the Company's operations:

### **Current economic conditions**

The Company's operations are, to a certain extent, dependent on economic conditions. For instance, the heavy-duty truck and industrial products markets are, generally speaking, more affected by a reduction in economic activity. In addition, the heavy-duty truck, bus, agricultural products and wind energy markets are susceptible to be affected by tighter credit markets owing to the need to finance underlying vehicle or equipment purchases.

### **Foreign exchange risk**

Sales denominated in US dollars accounted for 63.1% and 55.6% of the Company's total sales for the three-month and nine-month periods ended January 23, 2010. Consequently, the Canadian dollar movements versus the US dollar constitute an element of uncertainty and risk for the Company. These risks are partially offset by the following elements: the U.S. subsidiary's operating expenses are denominated in US dollars, raw material purchases are denominated in US dollars and finally, foreign currency forward contracts are entered into by the Company. The Company's policy is not to utilize those derivative financial instruments for trading or speculative purposes. If the Canadian dollar's rise against the US dollar goes on, this would negatively affect the Company's results of operations. During the three-month period ended January 23, 2010, the Company sold US\$2.0 million at an average exchange rate of CAN 1.1522 for a sum totalling CAN\$2.3 million.

### **Concentration of customers**

For the nine-month period ended January 23, 2010, the Company's five largest customers represented 66.7% of the Company's sales. Should certain customers cease doing business with the Company or reduce their purchases due to financial difficulties or other causes, this would have a significant impact on the Company's sales, financial position and results of operations. Orders for a component in the heavy duty truck and transit industry are awarded depending on the length of the model by original equipment manufacturer (OEM). The duration on the market is an average of five to ten years depending on the manufacturers. There can be no assurance that the Company will be able to obtain new contracts or renew the existing ones, which might have an unfavourable effect on the Company's operations.

## **Interest rate risk**

The Company is vulnerable to any interest rate fluctuations since the bank loans and a part of long-term debts feature interest rates varying according to the prime rate. An interest rate rise could affect the Company's cost of capital and, reduce net earnings accordingly. As of January 23, 2010, approximately 72.8% of the long-term debt, representing \$15.3 million out of a total long-term debt of \$21.0 million (including the current portion, but excluding deferred financing expenses), bears interest at a floating rate.

## **Market development and sustained growth**

Failure to further develop the Company's key markets and existing geographic markets or to successfully expand its business into new markets could have an adverse impact on sales growth and operating results. The Company's ability to further penetrate its key markets in the existing geographic markets in which it competes, and successfully expand its business into other countries in Europe, South America or elsewhere, is subject to numerous factors, many of which are beyond its control. There can be no assurance that efforts to increase market penetration in the Company's key markets and existing geographic markets will be successful. Failure to achieve these goals may have an adverse effect on the Company's operating results.

## **Exclusive intellectual property rights**

The Company uses technologies for which it holds certain intellectual property rights. Other businesses may develop similar products independently, thus decreasing the life cycle of the products manufactured by the Company.

## **Acquisition plan**

The Company plans to continue to acquire companies and assets. There can be no assurance that acquisitions will take place or that the Company will succeed in integrating the newly-acquired companies and assets into its activities. Failure to do so or failure to retain the services of key personnel of the acquired companies could have a significant adverse effect on operating results. In addition to the cash flows from operating activities, acquisitions may require other sources of financing. There can be no assurance that additional financial resources will be available or that such resources will be available under conditions acceptable to the Company. Failure to secure such financing could render acquisitions difficult or even impossible.

## **Dependence on key personnel and labour relations**

The Company's success depends on its ability to attract and keep highly qualified manpower. Failure to retain the services of qualified personnel and the loss of key employees could compromise the Company's rate of development and its efforts to achieve growth.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. We consider the assumptions on which these forward-looking statements are based to be reasonable, but we

advise the reader that these assumptions with regard to future events, many of which are beyond our control, could prove incorrect as they are subject to risks and uncertainties inherent in our activities. The information contained in this MD&A is dated March 22, 2010, the date on which the Board of Directors approved the unaudited interim consolidated financial statements and the MD&A. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information or future events, except when required by the regulatory authorities or applicable law.

The Company is a reporting issuer under the securities legislation in Québec, Alberta and British Columbia and is therefore required to file continuous disclosure documents such as interim and annual financial statements, proxy circulars, information circulars, material change reports and press releases with such securities regulatory authorities. Copies of these documents may be obtained free of charge on request from the office of the Chief Financial Officer of the Company or through our Internet site at the following address: [http:// www.sigmaventures.ca](http://www.sigmaventures.ca) or on the following Internet site: <http://www.sedar.com>.

(S) Denis Bertrand

Per: \_\_\_\_\_  
Denis Bertrand  
President and Chief Executive Officer

(S) Guy Archambault

Per: \_\_\_\_\_  
Guy Archambault  
Chief Financial Officer

March 22, 2010