



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS JULY 25, 2009 1ST 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

The difficult economic climate continues to negatively impact Sigma Industries' main business sectors. The heavy-duty truck industry continues to be simultaneously shaken by the economic and credit crisis, which explains a further decrease of more than 34% of such vehicles for the three-month period corresponding to the first quarter of our 2010 fiscal year.

Following our earlier decision to terminate production of products for which return on invested capital was insufficient, our sales declined by \$4.0 million to settle at \$11.2 million. This reduced business volume led to a decline in operating profitability, and we concluded the quarter with an adjusted loss before interest, taxes, depreciation and amortization of \$491,000.

However, our willingness to concentrate our efforts on high-margin innovative technical solutions will have a beneficial effect on our profitability once the recovery is firmly underway. This effect will almost be immediate given our more efficient and more flexible organizational structure.

Meanwhile, we must pursue our disciplined operating cost management and reduce production costs by modernizing machinery and equipment and by consolidating production facilities. However, we will not neglect what has contributed to build Sigma Industries' solid reputation, namely research and development, innovation and our unparalleled product quality. To this end, our initiatives must also reflect our willingness to offer environment-conscious solutions and our efforts are oriented towards the development of new natural resins as well as technological processes incorporating these materials.

Our strategic objectives are clear. We aim to increase sales by penetrating new potential market segments in composite flooring and in component assembly. In addition, we will continue to further improve existing products and develop new value-added products. Reaching these milestones will bring us even closer to our ultimate goal of offering a complete portfolio of technological solutions and to act as integrator of these solutions for our clients.

We possess all resources needed to reach our strategic goals. Although exogenous factors are temporarily restraining our growth, the constant support of our partners motivates us to work even harder in our development and growth initiatives aimed at creating sustainable value for our shareholders.

(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 first quarter ended July 25, 2009 compared with the first quarter ended July 26, 2008 and its financial condition as at July 25, 2009 compared to April 25, 2009. This document should be read in conjunction with the unaudited interim consolidated financial statements for the three-month periods ended July 25, 2009 and July 26, 2008 and with our 2009 Annual Report. Additional information concerning Sigma Industries Inc. may be found on SEDAR web site at www.sedar.com

The following information takes into account all material events that took place until September 23, 2009, 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, we use 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 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 it provides useful information regarding performance. It is a tool frequently used in the business world to analyse and compare the performance of businesses in the sectors in which the Company and its

subsidiaries operate. The definitions of the measure that we adopted may differ from those of other businesses.

Reconciliation of adjusted EBITDA and Net loss		
(in thousands of Canadian dollars)	<u>Three-month periods ended</u>	
	July 25, 2009	July 26, 2008
Net loss	(1,477)	(599)
LESS (PLUS):		
Income tax recovery	(400)	(296)
Total depreciation and amortization	754	921
Financial expenses	543	356
Restructuring costs	89	-
Adjusted EBITDA	(491)	382

Company Overview

Who are we?

As at July 25, 2009, 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"), formerly 3547441 Canada Inc., located in Saint-Éphrem-de-Beauce, Quebec, specializes in the manufacturing of dies and moulds for René's customers. Its plant in Acton Vale, Quebec, manufactures a range of composite hoods for Class 7 & 8 highway trucks and vocational trucks, as well as B6 Magnum series tractors.
- 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-month periods ended July 25, 2009 and July 26, 2008, the unaudited interim 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 Truck (Class 8) Industry Overview

Effective on January 1, 2007, the new regulations of US Environmental Protection Agency (EPA) concerning diesel fuel and truck emissions had 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.

Table 1 shows monthly Class 8 (33,001 lbs +) retail truck sales per manufacturer for the three-month period ended July 25, 2009:

TABLE 1

Retail sales Class 8 - Months from May 2009 to July 2009

Company	May 2009		June 2009		July 2009		1st Quarter-2010		1st 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	1,879	(30.6%)	1,934	(37.5%)	1,688	(36.2%)	5,501	(34.9%)	8,445	26.2%
International	2,001	(24.0%)	2,752	19.4%	2,158	(23.6%)	6,911	(11.0%)	7,761	21.8%
Kenworth	799	(42.8%)	891	(38.8%)	1,038	(21.4%)	2,728	(34.6%)	4,173	(10.5%)
Mack	593	(47.4%)	623	(47.7%)	748	(29.1%)	1,964	(41.8%)	3,374	11.1%
Peterbilt	860	(41.7%)	1,037	(36.1%)	1,032	(30.6%)	2,929	(36.1%)	4,584	(12.8%)
Volvo	512	(60.2%)	437	(61.6%)	439	(52.7%)	1,388	(58.6%)	3,352	37.3%
Sterling	272	(57.9%)	288	(60.0%)	338	(57.4%)	898	(58.4%)	2,159	(36.7%)
Other	39	(70.0%)	44	(60.0%)	62	(49.6%)	145	(60.1%)	363	(63.6%)
Total	6,955	(39.0%)	8,006	(31.2%)	7,503	(32.9%)	22,464	(34.3%)	34,211	4.1%

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%								
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 inclusive, 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	<u>3,065</u>	13.9%	<u>4,062</u>	32.5%	<u>4,595</u>	13.1%	<u>2,321</u>	(49.5%)	<u>1,154</u>	(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 Cdn\$, except per share amounts)

2010 Quarter ended	July 25, 2009				
	\$				
Sales	11,230				
Adjusted EBITDA *	(491)				
Loss before income taxes	(1,877)				
Net loss	(1,477)				
Basic and diluted weighted average number of shares outstanding	42,899,095				
Basic and diluted net loss per share	(0.034)				
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)	(956)	(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)

* 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.

Sales

Consolidated sales for the first quarter ended July 25, 2009 reached \$11.2 million, a decrease of \$4.0 million compared with \$15.2 million for the same period a year earlier. This decrease is mainly attributable to a \$2.7-million decline in sales to the heavy-duty truck industry, as the difficult economic environment caused a 34.3% year-over-year reduction in heavy vehicle sales. In addition, a decline of \$1.2 million in sales of agricultural products stems from a decision to terminate the manufacturing of certain products, as announced in December 2008, in order to focus on the most profitable products. Industrial product sales decreased by \$1.1 million due to a temporary production shutdown at a major customer's production facility. It is currently expected that the client's production rate will return to normal in February 2010.

Conversely, sales to the bus market significantly increased to reach \$2.5 million reflecting new contracts for which production began in the second half of fiscal 2009.

Segmented Information

Sales by product line (in '000S of Cdn\$)

	Three-month periods ended			
	July 25, 2009		July 26, 2008	
	\$	%	\$	%
Heavy duty truck – Class 8	5,973	53.2%	8,687	57.1%
Bus	2,454	21.9%	887	5.8%
Agriculture	712	6.3%	1,888	12.4%
Snow removal	609	5.4%	701	4.6%
Wind energy	605	5.4%	663	4.4%
Industrial	584	5.2%	1,733	11.4%
Other	293	2.6%	650	4.3%
	11,230	100.0%	15,209	100.0%

Sales by geographic region (in '000S of Cdn\$)

	Three-month periods ended			
	July 25, 2009		July 26, 2008	
	\$	%	\$	%
United States	6,771	60.3%	10,686	70.3%
Canada	4,099	36.5%	4,211	27.7%
Asia	171	1.5%	116	0.8%
South America	124	1.1%	54	0.4%
Europe	59	0.5%	114	0.7%
Australia	6	0.1%	28	0.1%
	11,230	100.0%	15,209	100.0%

For the quarter ended July 25, 2009, sales from the United States amounted to \$6.8 million, or 60.3% of total sales, compared with \$10.7 million, or 70.3% of sales, for the quarter ended July 26, 2008. This reduction is attributable to lower activity in the heavy-duty truck market resulting from the global economic slowdown most particularly affecting the United States.

For the quarter ended July 25, 2009, sales from the five largest customers represented 69.4% of the Company's total sales, compared with 71.9% for the quarter ended July 26, 2008. Two of these customers represented more than 10% of the Company's total sales for the quarters ended July 25, 2009, and July 26, 2008. For those same periods, the most important customer represented sales 1.4 time and 1.5 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 amounted to \$11.3 million, or 100.9% of the Company's sales during the first quarter ended July 25, 2009, compared with \$14.9 million, or 97.8% of sales

for the corresponding period a year earlier. Although lower sales between the two periods being compared caused a reduction in monetary terms, the increase as a percentage of sales reflects the negative impact on fixed cost absorption.

Foreign Exchange Loss (Gain)

An exchange loss of \$385,859 recorded during the quarter 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 1.2097 as at April 25, 2009 to 1.0829 as at July 25, 2009. To reduce the impact of future foreign exchange gains or losses, the Company concluded contracts to sell US dollars at various forward rates, which are summarized as follows:

Description	Expiration Date	Contractual Amount \$	Weighted Average Contractual Forward Rate \$
As at July 25, 2009			
Sale of US dollars	August 2009 to January 2011	5,400,000	1.1726

As at July 25, 2009, the Company's consolidated balance sheet showed unrealized assets of \$479,478. During the first quarter ended July 25, 2009, the Company sold US\$2.5 million at an average exchange rate of CAN 1.1264 for an amount of CAN\$2.8 million. During the first quarter of the preceding year, the Company had sold US\$2.4 million at an average rate of CAN 1.0136 for an amount of CAN\$2.4 million.

Adjusted EBITDA

During the first quarter of fiscal 2010, the Company recorded an adjusted loss before interest, taxes, depreciation and amortization of \$491,627 compared with an adjusted EBITDA of \$382,024 in the first quarter a year earlier. This decrease essentially mirrors lower sales.

Canadian operations generated an adjusted loss before interest, taxes, depreciation and amortization of \$124,873 in the first quarter of the current fiscal year, as opposed to an adjusted EBITDA of \$964,056 in the first quarter last year. In addition, Sigma US Industries, the Company's self-sustaining foreign subsidiary, had an adjusted loss before interest, taxes, depreciation and amortization of \$366,754 compared with a loss of \$582,032 last year.

Financial Expenses

Financial expenses for the first quarter ended July 25, 2009 amounted to \$543,024 compared with \$355,612 for the same period last year. This increase is attributable to a higher average indebtedness in the current fiscal year as well as to an increase in interest rates applicable to the Company's credit facilities since the beginning of fiscal 2010. As at July 25, 2009, approximately 73.4% of the Company's long-term debt, representing \$15.6 million out of a total long-term debt of \$21.2 million (including the current portion, but excluding deferred financing expenses) bears a variable interest rate.

Depreciation and Amortization

Depreciation and amortization for the first quarter of fiscal 2010 reached \$753,594, a decrease of \$167,671 compared with the first quarter of fiscal 2009. The decline is due to the writeoff of fixed and intangible assets related to the GSC subsidiary in the second quarter of fiscal 2009.

Restructuring Costs

For the three-month period ended July 25, 2009, the Company recorded restructuring costs totalling \$89,095 representing professional fees.

Income Tax Recovery

For the quarter ended July 25, 2009, the Company benefitted from an income tax recovery of \$399,860 (or 21.3% of loss before income taxes) compared with a recovery of \$296,403 (or 33.1% of loss before income taxes) for the same period last year. The lower recovery rate in fiscal 2010 is explained by the earlier writeoff of Sigma OH's future income tax assets. As a result, the entity cannot benefit, for the time being, from an income tax recovery.

Net loss

The Company's net loss for the quarter ended July 25, 2009 amounted to \$1.5 million, or a basic and diluted loss of \$0.034 per share, compared with a net loss of \$598,450, or a basic and diluted loss of \$0.014 per share for the same period last year. The increase in the Company's net loss is mainly explained by lower sales in comparison with the previous year.

Financial Position

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

	July 25, 2009			
	\$			
Current assets	18,226			
Total assets	46,688			
Current liabilities	17,691			
Total liabilities	37,881			
Shareholders' Equity	8,807			

	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 reached \$46.7 million as at July 25, 2009, relatively stable compared with \$46.6 million as at April 25, 2009.

The value of current assets increased to \$18.2 million as at July 25, 2009 compared with \$17.0 million as at April 25, 2009. This increase is mainly due to higher prepaid expenses reflecting the renewal of the Company's insurance policy portfolio and to an increase in cash, which stood at \$776,191 on July 25, 2009, up from \$3,411 as at April 25, 2009.

Despite lower sales, the value of accounts receivable and inventories remained practically unchanged during the first quarter of 2010. Still, the quality of accounts receivable is not an issue, as 53.4% of accounts were outstanding for less than 30 days and 32.7% were outstanding for a period from 31 to 60 days as at July 25, 2009. With respect to inventories, a reduction in raw materials inventories was offset by an increase in work-in-progress inventories resulting from a tooling contract.

The value of property, plant and equipment (PPE) decreased by \$1.2 million to \$21.3 million as at July 25, 2009. This reduction reflects the rise in the value of the Canadian dollar on PPE of the

Company's self-sustaining foreign subsidiary as well as a depreciation charge in excess of additions to PPE during the quarter.

The value of intangible assets declined by \$285,234 to reach \$4.7 million as at July 25, 2009 owing to the related amortization expense.

Liabilities

As at July 25, 2009, the Company's total liabilities increased to \$37.9 million, compared with \$36.9 million as at April 25, 2009.

The value of current liabilities grew by \$2.5 million to reach \$17.7 million as at July 25, 2009. This increase partially reflects a \$1.1-million raise in deferred revenues related to the aforementioned tooling contract. Bank loans increased \$1.3 million to reach \$4.8 million.

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 \$20.8 million as at July 25, 2009, down \$1.0 million from \$21.8 million as at April 25, 2009.

Financial Ratios

Under its credit agreements, the Company has agreed to respect certain conditions and financial ratios, which were met as at July 25, 2009.

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 (in '000s of Cdn\$)	Three-month periods ended	
	July 25, 2009	July 26, 2008
Operating activities	(688)	(662)
Financing activities	917	1,268
Investing activities	(21)	(610)
Effect of foreign exchange rate changes on cash	565	1
Net change in cash	773	(3)
Cash – Beginning of period	3	653
Cash – End of period	776	650

The Company's investing activities related to additions to property, plant and equipment were principally financed by its cash flows from operating activities as well as by its credit facilities.

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, future corporate acquisitions may require new sources of financing.

Operating Activities

For the first quarter ended July 25, 2009, cash flows from operating activities before the change in non-cash working capital items used funds of \$1.7 million compared with a reduction of \$201,944 for the three-month period ended July 26, 2008. This variation is primarily attributable to an increase in the Company's net loss.

Non-cash working capital items provided cash of \$1.1 million during the first quarter of fiscal 2010, mainly because of increased deferred revenues and accounts payable and accrued liabilities, which increase was partially offset by higher prepaid expenses. In the first quarter of fiscal 2009, an inventory increase was the main reason for a \$459,600 reduction in cash.

Cash flows from operating activities thus reduced cash by a net amount of \$687,597 in the first quarter of fiscal 2010, a figure similar to a cash reduction of \$661,544 a year earlier.

Financing Activities

For the first quarter of fiscal 2010, cash flows from financing activities generated funds of \$916,684 mainly due to the increase in bank loans. During the first quarter ended July 26, 2008, cash flows from financing activities had generated funds of \$1.3 million.

Investing Activities

Cash flows from investing activities decreased cash by \$20,949 during the first quarter of fiscal 2010 compared with a reduction of \$610,323 in the first quarter of the previous year. This decline reflects lower additions to property, plant and equipment in the first quarter of the current fiscal year.

Shareholders' Equity

Share Capital

There were 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 July 25, 2009:

	Number	Total compensation costs (Note a) \$
	<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 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 July 25, 2009	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 were 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 July 25, 2009:

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

There were 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 reporting periods. 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 July 25, 2009, there were no events or circumstances indicating that an impairment loss should be recognized.

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 July 25, 2009, 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 published price quotations 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	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 retroactively. 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 its current accounting policies as well as changes to financial reporting and information technology.

FINANCIAL AND OTHER INSTRUMENTS

Fair value

Cash, 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. banks. Therefore, the Company considers the risk of non-performance on these instruments 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 \$426,254 as at July 25, 2009 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 July 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 period ended July 25, 2009

Currency risks and foreign currency forward contracts

The Company is exposed to currency risks as a result of its export sales of products manufactured in Canada and a portion of its purchases, substantially all of which are denominated in US dollars. These risks are partially hedged by currency forward contracts and certain operating expenses denominated in US dollars. As at July 25, 2009 and as at April 25, 2009, the Company held contracts to sell US dollars at various forward rates, which are summarized as follows:

Description	Expiration date	Contractual amount \$	Weighted average contractual forward rate \$	Fair value \$
As at July 25, 2009				
Sale of US dollars	August 2009 to January 2011	5,400,000	1.1726	479,478
As at April 25, 2009				
Sale of US dollars	May 2009 to April 2010	3,800,000	1.1750	(116,586)

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements in the interim consolidated financial statements as at July 25, 2009.

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 July 25, 2009:

Periods	Operating leases \$	Property, plant and equipment \$	Long-term debt	Total
0-12 months	176,470	-	1,530,116	1,706,586
13-24 months	82,332	-	4 281 777	4 364 109
25-36 months	14,098	-	4 554 904	4 569 002
37-48 months	4,827	-	6 367 732	6 372 559
49-60 months	-	-	1,486,658	1,486,658
Thereafter	-	-	3,010,802	3,010,802
	<u>277,727</u>	<u>-</u>	<u>21,231,989</u>	<u>21,509,716</u>

Certain leases include a renewal option.

RELATED PARTY TRANSACTIONS

There were no related party transaction for the three-month periods ended July 25, 2009 and July 26, 2008.

SUBSEQUENT EVENT

On September 1, 2009, the Company announced the departure of Bertrand Côté, Chief Financial Officer, in the context of additional restructuring measures and the rationalization of the Company's expenses.

RISKS AND UNCERTAINTIES

The following is a summary of the main risks that apply to the Company:

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 53.8% of the Company's total sales for the three-month period ended July 25, 2009. 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 July 25, 2009, the Company sold US\$2.5 million at an average exchange rate of CAN 1.1264 for a sum totalling CAN\$2.8 million.

Concentration of customers

For the three-month period ended July 25, 2009, the Company's five largest customers represented 69.4% 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 July 25, 2009, approximately 73.4% of the long-term debt, representing \$15.6 million out of a total long-term debt of \$21.2 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 September 23, 2009, 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 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.sigmapventures.ca](http://www.sigmapventures.ca) or on the following Internet site: <http://www.sedar.com>.

(S) Denis Bertrand
Per: _____
Denis Bertrand
President and Chief Executive Officer

(S) Gérald Désourdy
Per: _____
Gérald Désourdy
President of the Audit Committee
Acting in capacity of Chief Financial Officer

September 23, 2009