



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OCTOBER 24, 2009 2ND 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

Although Sigma Industries' operating results continue to be affected by a difficult economic environment in its main business sectors, certain signs lead us to believe that the worst of the storm is now behind us and that a tangible, albeit gradual, improvement lies ahead.

First, the heavy-duty truck market, which accounts for approximately half of our sales, has posted sequential vehicle sales growth over the last two periods matching Sigma Industries' financial quarters. In addition, new vehicle orders reached their highest level in nearly two years during the month of October 2009, as users elected to purchase heavy-duty trucks before new U.S. environmental regulations become effective during 2010. This being said, heavy-duty truck manufacturers are nevertheless forecasting a modest North American sales growth in 2010 after three successive years of decline.

Also, our diversification efforts aimed at penetrating profitable market niches are bearing fruit. Our sales growth in the bus industry is an appropriate testimony, as they continued to grow in the second quarter and have accounted for nearly 20% of our sales since the beginning of the current fiscal year.

Reflecting the refocus of our efforts on high-margin products, our operating profitability further improved in comparison with the preceding quarter. Even if our sales of \$10.7 million were sequentially lower by approximately \$500,000 in comparison with the preceding quarter, our adjusted loss before interest, taxes, amortization and depreciation was reduced by \$200,000, to \$292,000.

These results, although still on the negative side, are nevertheless very encouraging and further strengthen our commitment to optimize our production costs and to make the entire organization more efficient and flexible. Any business volume increase stemming from the economic recovery will then have a significant and almost immediate impact on our profitability.

Our main strategic growth driver consists in the offering of innovative technical solutions that support our clients in all steps of their production processes and, more importantly, to act as an integrator of these solutions. Needless to say the development of environment-conscious products and services is our main priority.

In the short term, it is essential to protect and further strengthen our balance sheet. To this effect, I would like to mention the constant support of our employees and our business partners which motivates us to work even harder in our development and growth initiatives aimed at creating sustainable shareholder 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 six-month periods ended October 24, 2009 compared with the three-month and six-month periods ended October 25, 2008 and its financial condition as at October 24, 2009 compared to April 25, 2009. This document should be read in conjunction with the unaudited interim consolidated financial statements for the three-month and six-month periods ended October 24, 2009 and October 25, 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 December 16, 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, 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 definitions of the measures 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>		<u>Six-month periods ended</u>	
	October 24, 2009	October 25, 2008	October 24, 2009	October 25, 2008
Net loss	(1,352)	(7,101)	(2,829)	(7,700)
LESS (PLUS):				
Income tax recovery	(469)	(986)	(869)	(1,283)
Restructuring costs	226	436	315	436
Other non-cash charges		3,495		3,495
Total depreciation and amortization	738	960	1,492	1,881
Financial expenses	565	464	1,108	820
Adjusted EBITDA	(292)	(2,732)	(783)	(2,351)

Company Overview

Who are we?

As at October 24, 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. 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 six-month periods ended October 24, 2009 and October 25, 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 (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. Additional changes in EPA regulations to become effective at the beginning of 2010 have led, in October 2009, to the highest level of new vehicle orders in almost two years.

Table 1 shows monthly Class 8 (33,001 lbs +) retail truck sales per manufacturer for the three-month period ended October 24, 2009:

TABLE 1
Retail sales Class 8 - Months from August 2009 to October 2009

Company	August 2009		September 2009		October 2009		2nd Quarter-2010		2nd 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	1,870	(40.4%)	1,963	(29.4%)	2,166	(27.0%)	5,999	(32.5%)	8,882	5.2%
International	1,855	(26.4%)	1,985	(24.1%)	2,606	(29.0%)	6,446	(26.8%)	8,808	13.5%
Kenworth	918	(29.3%)	1,187	(9.0%)	1,037	(13.4%)	3,142	(17.3%)	3,801	(8.9%)
Mack	533	(35.6%)	647	(35.7%)	703	(24.3%)	1,883	(31.8%)	2,762	(18.1%)
Peterbilt	1,255	(16.1%)	1,204	(21.0%)	1,222	(20.3%)	3,681	(19.2%)	4,554	(0.7%)
Volvo	435	(40.4%)	548	(35.5%)	634	(41.8%)	1,617	(39.4%)	2,669	(20.4%)
Sterling	237	(62.3%)	163	(75.5%)	76	(87.6%)	476	(75.1%)	1,909	(11.6%)
Other	48	(44.8%)	72	(48.9%)	56	(23.3%)	176	(41.5%)	301	(17.1%)
Total	7,151	(33.3%)	7,769	(28.7%)	8,500	(29.6%)	23,420	(30.5%)	33,686	(1.5%)

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%						
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 Quarter ended	July 25, 2009 \$	October 24, 2009 \$			
Sales	11,230	10,712			
Adjusted EBITDA *	(491)	(292)			
Loss before income taxes	(1,877)	(1,821)			
Net loss	(1,477)	(1,352)			
Basic and diluted weighted average number of shares outstanding	42,899,095	42,899,095			
Basic and diluted net loss per share	(0.034)	(0.032)			
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)

* 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.

Sales

Consolidated sales for the second quarter ended October 24, 2009 reached \$10.7 million, a decrease of \$6.1 million from \$16.8 million for the same period a year earlier. This decrease is mainly attributable to a \$2.6-million decline in sales to the heavy-duty truck industry, as a difficult economic environment caused a year-over-year reduction in heavy vehicle sales. In addition, a decline of \$0.8 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. Industrial product sales decreased by \$0.8 million due to lower production volume caused by the difficult economic environment and 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 grew 6.0% to reach \$1.6 million, reflecting new contracts in the transit bus market for which production began in the second half of fiscal 2009. These new contracts more than offset reduced production for the motor coach industry.

For the first six months of the current fiscal year, consolidated sales amounted to \$21.9 million, down from \$32.0 million in the corresponding period a year earlier. This decline stems from lower sales to the heavy-duty truck industry as well as of 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\$)

	Three-month periods ended				Six-month periods ended			
	October 24, 2009		October 25, 2008		October 24, 2009		October 25, 2008	
	\$	%	\$	%	\$	%	\$	%
Heavy duty truck – Class 8	5,496	51.3%	8,096	48.3%	11,469	52.3%	16,783	52.5%
Bus	1,645	15.4%	1,552	9.2%	4,099	18.7%	2,439	7.6%
Snow removal	1,691	15.8%	2,558	15.3%	2,300	10.5%	3,259	10.2%
Agriculture	888	8.3%	1,683	10.0%	1,600	7.3%	3,571	11.2%
Industrial	591	5.5%	1,383	8.3%	1,175	5.4%	3,116	9.8%
Wind energy	183	1.7%	919	5.5%	788	3.6%	1,582	4.9%
Others	218	2.0%	570	3.4%	511	2.2%	1,220	3.8%
	10,712	100.0%	16,761	100.0%	21,942	100.0%	31,970	100.0%

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

	Three-month periods ended				Six-month periods ended			
	October 24, 2009		October 25, 2008		October 24, 2009		October 25, 2008	
	\$	%	\$	%	\$	%	\$	%
United States	6,335	59.1%	10,138	60.5%	13,106	59.7%	20,824	65.2%
Canada	3,523	32.9%	6,217	37.1%	7,622	34.7%	10,428	32.6%
South America	362	3.4%	50	0.3%	486	2.2%	103	0.3%
Asia	231	2.2%	242	1.4%	402	1.8%	358	1.1%
Europe	114	1.1%	114	0.7%	173	0.8%	229	0.7%
Australia	147	1.3%	-	0.0%	153	0.8%	28	0.1%
	10,712	100.0%	16,761	100.0%	21,942	100.0%	31,970	100.0%

For the quarter ended October 24, 2009, sales from the United States amounted to \$6.3 million, or 59.1% of total sales, compared with \$10.1 million, or 60.5% of sales, for the quarter ended October 25, 2008. For the six-month period ended October 24, 2009, sales from the United States reached \$13.1 million, or 59.7% of total sales, compared with \$20.8 million, or 65.2% of sales, for the first six months of the previous fiscal year.

This reduction for the three- and six-month periods ended October 24, 2009 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 three- and six-month periods ended October 24, 2009, sales from the five largest customers represented, respectively, 65.7% and 66.6% of the Company's total sales, compared with 64.0% and 67.1%, respectively, three- and six-month periods ended October 25, 2008. Two of these customers represented more than 10% of the Company's total sales for the three- and six-month periods ended October 24, 2009, and October 25, 2008. For those same periods, the most important customer represented sales 1.5 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 totalled \$10.9 million, or 101.3% of the Company's sales during the second quarter of fiscal 2010, compared with \$19.8 million, or 118.4% of sales for the corresponding period a year earlier. The reduction in monetary terms is attributable to lower sales between the two periods, while the reduction as a percentage of sales mainly reflects cost overruns, in the second quarter of fiscal 2009, on 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 six-month period ended October 24, 2009, cost of sales and operating expenses reached \$22.2 million, or 101.1% of sales, compared with \$34.7 million, or 108.6% of sales, in the six-month period ended October 25, 2008.

Foreign Exchange Loss (Gain)

An foreign exchange loss of \$102,621 recorded during the second 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 1.0829 as at July 25, 2009 to 1.0519 as at October 24, 2009. For the first six months of fiscal 2010, the foreign exchange loss amounted to \$488,840. 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 \$
As at October 24, 2009			
Sale of US dollars	November 2009 to January 2011	4,200,000	1.1854
Purchase of US dollars	November 2009	160,000	1.0415

As at October 24, 2009, the Company's consolidated balance sheet showed unrealized assets of \$556,490.

During the second quarter ended October 24, 2009, the Company sold US\$2.1 million at an average exchange rate of CAN 1.0974 for an amount of CAN\$2.3 million. During the second

quarter of the preceding year, the Company had sold US\$2.9 million at an average rate of CAN 1.0487 for an amount of Cdn\$3.0 million.

During the first six months of the current fiscal year, the Company sold US\$4.5 million at an average exchange rate of CAN 1.1130 for an amount of CAN\$5.1 million. During the first six months of the preceding year, the Company had sold US\$7.8 million at an average rate of CAN 1.0379 for an amount of CAN\$8.1 million.

Adjusted EBITDA

During the second quarter of fiscal 2010, the Company recorded an adjusted loss before interest, taxes, depreciation and amortization of \$291,723 compared with an adjusted loss of \$2.7 million for the same period last year. The reduced loss in comparison with the same period a year earlier reflects the cost overruns that impacted last year's results. In addition, the adjusted loss for the second quarter of the current fiscal years marks a reduction of approximately \$200,000 versus an adjusted loss of \$491,627 in the first quarter. This reduction reflects cost reduction measures implemented earlier as well as the positive impact of reorienting the Company's offering in favour of higher margin products.

Canadian operations generated an adjusted loss before interest, taxes, depreciation and amortization of \$169,747 in the second quarter of the current fiscal year, similar to an adjusted loss of \$179,241 in the second quarter last year. Meanwhile, Sigma US Industries, the Company's self-sustaining foreign subsidiary, had an adjusted loss before interest, taxes, depreciation and amortization of \$121,976 compared with an adjusted loss of \$2.6 million last year.

For the first six months of the current fiscal year, the adjusted loss before interest, taxes, depreciation and amortization amounted to \$783,350 compared with an adjusted loss of \$2.4 million for the same period a year earlier. The adjusted loss from the Canadian operations stood at \$294,620, as opposed to an adjusted EBITDA of \$784,815 last year, while the self-sustaining foreign subsidiary recorded an adjusted loss of \$488,730 in the first six months of fiscal 2010 compared with an adjusted loss of \$3.1 million in fiscal 2009.

Financial Expenses

Financial expenses for the second quarter ended October 24, 2009 amounted to \$565,072 compared with \$464,060 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.

For the six-month period ended October 24, 2009, financial expenses reached \$1.1 million, up from \$819,762 for the corresponding period last year.

As at October 24, 2009, approximately 72.5% of the Company's long-term debt, representing \$15.3 million out of a total long-term debt of \$21.1 million (including the current portion, but excluding deferred financing expenses) bears a variable interest rate.

Depreciation and Amortization

Depreciation and amortization for the second quarter of fiscal 2010 reached \$737,991, down from \$960,066 in the second quarter of fiscal 2009. The decline is due to the write off of fixed and intangible assets related to the GSC subsidiary in the second quarter of fiscal 2009.

For the six-month period ended October 24, 2009, depreciation and amortization stood at \$1.5 million compared with \$1.9 million in the six-month period ended October 25, 2008.

Restructuring Costs and Other Non-Cash Charges

For the three- and six-month periods ended October 24, 2009, the Company recorded restructuring costs totalling \$225,918 and \$315,013, respectively. These costs mainly represent professional fees and severance expenses. For the three- and six-month periods ended October 25, 2008, these costs amounted to \$436,431.

Of note, an approximate charge of \$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 have to be recorded if it cannot dispose of equipment and machinery associated with that facility.

During the second quarter of fiscal 2009, the Company recorded a non-cash charge of \$3.5 million mainly related to the write off of certain assets of the GSC subsidiary, whose plant closed at the end of December 2008, as well as the write-off of tooling associated with contracts terminated by Sigma OH.

Income Tax Recovery

For the quarter ended October 24, 2009, the Company benefitted from an income tax recovery of \$469,368 (or 25.8% of loss before income taxes) compared with a recovery of \$986,796 (or 12.2% of loss before income taxes) for the same period last year. The higher recovery rate in fiscal 2010 is explained by the write-off, in the second quarter of fiscal 2009, of an amount of \$1.3 million representing Sigma OH's future income tax assets because of accumulated losses since its acquisition. Excluding this item, the income tax recovery in the second quarter of fiscal 2009 would have been \$2.3 million (or 28.2% of loss before income taxes).

For the first six months of the current fiscal year, the income tax recovery stood at \$869,228 (or 23.5% of loss before income taxes) compared with a recovery of \$1.3 million (or 14.3% of loss before income taxes) for the corresponding period a year earlier. Excluding the write-off of the U.S. subsidiary's future income tax assets, the income tax recovery for the first six months of fiscal 2009 would have been \$2.6 million (or 28.7% of loss before income taxes).

Net loss

The Company's net loss for the quarter ended October 24, 2009 amounted to \$1.4 million, or a basic and diluted loss of \$0.032 per share, compared with a net loss of \$7.1 million, or a basic and diluted loss of \$0.166 per share for the quarter ended October 25, 2008. The decrease in the Company's net loss versus the corresponding period a year ago reflects cost overruns that affected that period. The Company also reduced its net loss in comparison with the first quarter of the current fiscal year, as it had reached \$1.5 million, a basic and diluted loss of \$0.034 per share.

For the six-month period ended October 24, 2009, the net loss totalled \$2.8 million, or a basic and diluted loss of \$0.066 per share. For the six-month period ended October 25, 2008, the net loss amounted to \$7.7 million, or a basic and diluted loss of \$0.179 per share.

Financial Position

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

	July 25, 2009	October 24, 2009		
	\$	\$		
Current assets	18,226	18,607		
Total assets	46,688	46,156		
Current liabilities	17,691	19,203		
Total liabilities	37,881	38,523		
Shareholders' Equity	8,807	7,633		

	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 slightly to reach \$46.2 million as at October 24, 2009, compared with \$46.6 million as at April 25, 2009.

The value of current assets increased to \$18.6 million as at October 24, 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, the increase in unrealized assets related to derivative foreign currency forward contracts, owing to the increase in the value of the Canadian dollar, and to an increase in cash and cash equivalents, which stood at \$964,790 on October 24, 2009, up from \$3,411 as at April 25, 2009.

Despite lower sales, the value of accounts receivables and inventories has remained practically unchanged since the beginning of fiscal 2010. Still, the quality of accounts receivable is not an

issue, as 58.0% of accounts were outstanding for less than 30 days and 32.1% for between 31 and 60 days as at October 24, 2009. With respect to inventories, a reduction in raw materials inventories was offset by an increase in work-in-process inventories resulting from a tooling contract.

The value of property, plant and equipment (PPE) decreased by \$2.2 million to \$20.3 million as at October 24, 2009. 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 \$556,316 to reach \$4.5 million as at October 24, 2009 owing to the related amortization expense.

Liabilities

As at October 24, 2009, the Company's total liabilities increased to \$38.5 million, compared with \$36.9 million as at April 25, 2009.

The value of current liabilities grew by \$4.0 million to reach \$19.2 million as at October 24, 2009. This increase in part reflects a \$1.6-million raise in deferred revenues related to the aforementioned tooling contract. Bank loans increased \$1.9 million to reach \$5.3 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 \$20.7 million as at October 24, 2009, down \$1.1 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 \$0.3 million, to reach \$25.0 million as at October 24, 2009. 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. As at October 24, 2009, the Company was in breach of a ratio requesting a minimum shareholders' equity balance to be maintained within Canadian operations. Subsequent to the end of the quarter, the Company obtained a waiver with respect of that ratio.

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 CAN\$)	Three-month periods ended		Six-month periods ended	
	October 24, 2009	October 25, 2008	October 24, 2009	October 25, 2008
Operating activities	(792)	(2,553)	(1,479)	(3,215)
Financing activities	501	3,945	1,417	5,213
Investing activities	350	(931)	329	(1,541)
Effect of foreign exchange rate changes on cash and cash equivalents	130	(760)	695	(759)
Net change in cash and cash equivalents	189	(299)	962	(302)
Cash and cash equivalents – Beginning of period	776	650	3	653
Cash and cash equivalents – End of period	965	351	965	351

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 second quarter ended October 24, 2009, cash flows from operating activities before the net change in non-cash working capital items reduced liquidities by \$0.8 million compared with a reduction of \$3.0 million for the three-month period ended October 25, 2008. This variation is primarily attributable to a reduction in the Company's net loss.

Non-cash working capital items provided liquidities of \$56,689 during the second quarter of fiscal 2010, as the increase in accounts receivable and derivative foreign currency forward contracts was offset by increased deferred revenues and accounts payable and accrued liabilities. In the second quarter of fiscal 2009, non-cash working capital items had generated funds of \$397,362. Cash flows from operating activities thus reduced liquidities by a net amount of \$0.8 million in the second quarter of fiscal 2010 compared with a reduction of \$2.6 million a year earlier.

For the first six 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 \$3.2 million for the same period last year. Considering the net change in non-cash working capital items, operating activities used liquidities of \$1.5 million versus \$3.2 million a year ago.

Financing Activities

For the second quarter of fiscal 2010, cash flows from financing activities generated funds of \$0.5 million mainly due to the increase in bank loans. During the second quarter of fiscal 2009, cash flows from financing activities had generated funds of \$3.9 million.

For the six-month period ended October 24, 2009, financing activities generated positive cash flows of \$1.4 million compared with positive cash flows of \$5.2 million during the corresponding period of the previous year.

Investing Activities

Cash flows from investing activities increased liquidities by \$349,768 in the second quarter of fiscal 2010 compared with a reduction of \$930,715 in the second quarter of fiscal 2009. This improvement in liquidity reflects lower additions to PPE as well as the disposal of PPE mainly related to the sales of certain assets of the GSC subsidiary.

For the six-month period ended October 24, 2009, cash flows from investing activities generated liquidities of \$328,819, as opposed to a \$1.5-million reduction in liquidity for the corresponding period a year earlier.

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 October 24, 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 the prior years		536,792
Impact of the stock options exercised and forfeited on the stock-based compensation costs		13,886
Options outstanding and exercisable as at October 24, 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 October 24, 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 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 October 24, 2009, 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 October 24, 2009, there were no events or circumstances indicating that an impairment loss should be recognized.

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 equivalent ,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 cash equivalents and accounts receivable. Cash and cash equivalents are 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 \$420,260 as at October 24, 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 October 24, 2009, the Company's exposure to interest risk is as follows:

Cash and cash equivalents	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 six-month periods ended October 24, 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 October 24, 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 October 24, 2009				
Sale of US dollars	November 2009 to January 2011	4,200,000	1.1854	554,772
Purchase of US dollars	November 2009	160,000	1.0415	1,718
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 October 24, 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 October 24, 2009:

Periods	Operating leases \$	Property, plant and equipment \$	Long-term debt	Total
0-12 months	149,958	-	2,215,673	2,365,631
13-24 months	63,104	-	4,210,173	4,273,277
25-36 months	5,322	-	4,470,837	4,476,159
37-48 months	3,479	-	5,744,216	5,747,695
49-60 months	-	-	1,126,689	1,126,689
Thereafter	-	-	3,295,092	3,295,092
	<u>221,863</u>	<u>-</u>	<u>21,062,680</u>	<u>21,284,543</u>

Certain leases include a renewal option.

RELATED PARTY TRANSACTIONS

There were no related party transactions for the three-month and six-month periods ended October 24, 2009 and October 25, 2008.

SUBSEQUENT EVENT

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.

On December 15, 2009, the Company obtained a waiver with respect to maintaining a minimum shareholders’ equity balance within Canadian operations.

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 49.3% and 51.6% of the Company’s total sales for the three-month and six-month periods ended October 24, 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 October 24, 2009, the Company sold US\$2.1 million at an average exchange rate of CAN 1.0974 for a sum totalling CAN\$2.3 million.

Concentration of customers

For the six-month period ended October 24, 2009, the Company’s five largest customers represented 70% 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 October 24, 2009, approximately 74.3% of the long-term debt, representing \$15.3 million out of a total long-term debt of \$20.6 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 December 16, 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 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.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) Guy Archambault

Per: _____
Guy Archambault
Chief Financial Officer

December 16, 2009