THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE ONTARIO SECURITIES COMMISSION BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSES OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME A RECEIPT IS OBTAINED FROM THE ONTARIO SECURITIES COMMISSION FOR THE FINAL PROSPECTUS.

PRELIMINARY PROSPECTUS DATED FEBRUARY 4, 1998

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered or sold within the United States. These securities are being issued to holders of Special Warrants in connection with the exercise of such Special Warrants. See "Private Placement and Plan of Distribution".

New Issue

SAMSys TECHNOLOGIES INC.

$4,050,000
4,050,000 Common Shares
to be issued upon the exercise of Special Warrants

This prospectus relates to the distribution of 4,050,000 common shares ("Common Shares") of SAMSys Technologies Inc. ("SAMSys") which are issuable upon the exercise or deemed exercise of 4,050,000 special warrants (the "Special Warrants") issued by SAMSys on December 5, 1997. The Special Warrants were issued and sold on a private placement basis to certain purchasers resident in the Province of Ontario pursuant to an agency agreement (the "Agency Agreement") dated as of December 5, 1997 between Gordon Capital Corporation and Credifinance Securities Limited (collectively, the "Agents") and SAMSys, at a price of $1.00 per Special Warrant. The price of the Special Warrants was determined by negotiation between SAMSys and the Agents. The Special Warrants were created and issued under a special warrant indenture (the "Special Warrant Indenture") dated December 5, 1997 between Montreal Trust Company of Canada, as trustee, and SAMSys. See "Private Placement and Plan of Distribution".

The Special Warrants are exercisable at any time before 5:00 p.m. (Toronto time) on the earlier of (the "Expiry Time"): (a) the fifth business day after the date on which the Ontario Securities Commission has issued a receipt for a (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise of the Special Warrants; and (b) December 5, 1998. Any Special Warrants not exercised before the Expiry Time will be deemed to be exercised immediately prior to the Expiry Time without any further action by the holder. If before 5:00 p.m. (Toronto time) on March 5, 1998 a receipt for the (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise of the Special Warrants has not been issued by the Ontario Securities Commission, a holder of Special Warrants shall be entitled to acquire, upon exercise of each Special Warrant, 1.1 Common Shares in lieu of one Common Share, without payment of additional consideration. See "Private Placement and Plan of Distribution".

	Price	Agents' Fees (1)	Net Proceeds to SAMSys (2)
Per Special Warrant	$1.00	$0.07	$0.93
Total	$4,050,000.00	$283,500.00	$3,766,500.00

(1) No additional fee will be payable to the Agents in connection with the issue of Common Shares upon the exercise or deemed exercise of the Special Warrants. In addition to the cash compensation noted above, SAMSys issued to the Agents 405,000 agent warrants ("Agent Warrants") which entitle the Agents to acquire the same number of non-assignable compensation options ("Compensation Options"). Each Compensation Option entitles the holder to purchase one Common Share at a price of $1.05 at any time prior to 5:00 p.m. (Toronto time) on December 5, 1999. This prospectus also qualifies for distribution 202,500 of the Compensation Options issuable to the Agents. See "Private Placement and Plan of Distribution".

(2) Before deducting expenses of the offering estimated to be $300,000 (excluding the Agents' fee), which are to be paid from the proceeds of the offering. SAMSys will not receive any proceeds from the distribution of the Common Shares on the exercise or deemed exercise of the Special Warrants.

SAMSys' currently outstanding Common Shares are listed and posted for trading on the Montreal Exchange (the "ME") under the symbol "SMY". On December 2, 1997, the date on which the price of the Special Warrants was determined, the closing price of the Common Shares on the ME was $1.50 per share. See "Price Range and Trading Volume of Common Shares".

The price of $1.00 paid for each Common Share through the purchase and exercise of a Special Warrant exceeds the unaudited consolidated net tangible book value per Common Share as at September 30, 1997, after giving effect to the sale of the Special Warrants and their exercise, by $0.99, representing dilution of 75%. See "Dilution". An investment in the Common Shares involves certain risks which should be carefully considered by prospective investors. See "Risk Factors".

This prospectus qualifies the Common Shares to be issued on the exercise of the Special Warrants and 202,500 of the Compensation Options. SAMSys is contemplating issuing certain securities to the licensor of certain of its technology in satisfaction of amounts owing to such licensor, which securities, if issued, will also be qualified for distribution by this prospectus. See "Business of the Company - Proprietary Rights". Certain legal matters relating to the offering have been passed upon by Osler, Hoskin & Harcourt on behalf of the Company, and by Fasken Campbell Godfrey on behalf of the Agents.

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Except as otherwise noted, all information in this prospectus gives effect to a 1 for 3 Common Share consolidation effective April 24, 1997.

Unless otherwise noted or the context otherwise indicates, in this prospectus the term "SAMSys" refers to SAMSys Technologies Inc. and the term "Company" refers to SAMSys and all of its subsidiaries. Certain terms used in this prospectus are defined in the Glossary.

Unless otherwise stated, all dollar amounts referred to in this prospectus are denominated in Canadian dollars.

PROSPECTUS SUMMARY

The following is a summary only and is qualified by the more detailed information appearing elsewhere in this Prospectus.

The Company

SAMSys Technologies Inc. ("SAMSys", and together with its subsidiaries, the "Company") provides solutions for tracking and controlling the movement of goods and services through the use of portable wireless devices. The Company participates in the Automatic Data Collection ("ADC") systems industry, which includes bar code, magnetic stripe, optical character recognition, contact memory, smart card, surface acoustic wave and radio frequency identification ("RF/ID") technologies. The Company is focusing its efforts on utilizing RF/ID technology to facilitate the collection of data from tagged items in an automated manner.

The principal competitive advantage of the Company's technology is the Supertag Radio Frequency Identification Protocol ("Supertag") technology which the Company has acquired by a way of a non-exclusive, non-transferable license from British Technology Group Limited. The Supertag technology provides greater range than other passive RF/ID technologies and the ability to process large batches of tags simultaneously. For example, the Supertag technology permits the contents of a case to be accurately read without the need to unpack it or to sort the contents individually. The Company's research and development activities have resulted in the creation of proprietary intellectual property which complements the Supertag technology. This intellectual property is comprised in the Company's SAMSys FasTrak® asset tracking system, which includes full read/write capability for its tags, low operating power levels and data integrity as well as tag and reader architectures that allow for comparatively low cost production. The Company believes its products will meet tracking and data collection needs which in the past could not be met by existing technology or which could only be met at prohibitive costs.

The Company believes that the market segment most appropriately positioned to receive RF/ID technology is logistics management, an aspect of supply chain engineering which relates to the monitoring and management of goods through the manufacturing, warehousing, distribution and delivery process. The Company's current focus is on the development of commercial products, including tags and readers, for tracking pallets and reusable containers as the application in which the Company's technology will first be applied. The Company also intends to target on a selective basis the high value asset management market (of which pallet tracking is a part) and other markets which will benefit from the unique functionality made possible by the Supertag technology. Possible applications in these areas include cash control, mail and parcel tracking, automobile tracking, equipment utilization and records storage management.

As RF/ID is a technology which requires customization to individual applications, the Company has historically pursued a strategy of developing its technology through a consultative process with potential users and industry participants. Initially, the Company developed and provided to potential users Application Development Kits ("ADKs") which permitted the Company and the users to analyze and define the specific requirements of an application. In addition to introducing potential users to the Company's technology and allowing the Company to establish itself within the RF/ID industry, the ADKs provided the Company with the opportunity to conduct field trials in conjunction with end users so as to establish the most ideal operating criteria for its products. As a result of the experience gained through these field trials, in mid-1997 the Company determined to focus its activities on the logistics management market segment and in particular, the development of products for tracking pallets and reusable containers. To this end, the Company has established strategic alliances with both systems integrators and sophisticated end users participating in the pallet and reusable container industry. The Company expects that its SAMSys FasTrak® system will be ready for commercial production and sale during the 1998 fiscal year. See "Business of the Company - SAMSys Technologies Inc. - Business Strategy".

On October 24, 1997, SAMSys acquired a controlling interest in Aegis Manufacturing Corporation ("Aegis"), a company which designs, certifies and assembles a wide range of personal computers and other electronic products. The strategic synergies initially thought to exist at the time of the acquisition of the interest in Aegis have not materialized and a divergence in operating strategies and management styles between the companies has recently emerged. Accordingly, it is SAMSys' present intention to dispose of its interest in Aegis. However, in the event that SAMSys is unable to dispose of its interest on satisfactory terms, SAMSys will consider other options available to it with respect to Aegis. See "Business of the Company - Aegis Manufacturing Corporation".

The Offering

Issue:	4,050,000 Common Shares to be issued by SAMSys upon the exercise or deemed exercise of 4,050,000 previously issued special warrants (the "Special Warrants"). No additional cash proceeds will be received by the Company from the issuance of Common Shares upon the exercise or deemed exercise of the Special Warrants. See "Private Placement and Plan of Distribution".
Special Warrants:	4,050,000 Special Warrants were issued and sold by SAMSys on a private placement basis to certain purchasers resident in the Province of Ontario on December 5, 1997 at a price of $1.00 per Special Warrant. The Special Warrants are exercisable at any time before 5:00 p.m. (Toronto time) on the earlier of (the "Expiry Time"): (a) the fifth business day after the date on which the Ontario Securities Commission has issued a receipt for a (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise or deemed exercise of the Special Warrants; and (b) December 5, 1998. Any Special Warrants not exercised before the Expiry Time will be deemed to be exercised immediately prior thereto without any further action by the holder. If before 5:00 p.m. (Toronto time) on March 5, 1998 a receipt for the (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise of the Special Warrants has not been issued by the Ontario Securities Commission, a holder of Special Warrants shall be entitled to acquire, upon exercise of each Special Warrant, 1.1 Common Shares in lieu of one Common Share, without payment of additional consideration. See "Private Placement and Plan of Distribution".
Use of Proceeds:	The net proceeds to SAMSys from the sale of Special Warrants, after deducting the fee payable to the Agents and the estimated expenses of the offering, are estimated to be $3,466,500. SAMSys intends to use the net proceeds for marketing and research and development purposes related to the SAMSys FasTrak® system, in respect of which approximately $1,000,000 is expected to be spent during the 1998 fiscal year.
Risk Factors:	An investment in the Common Shares involves certain risks. Investors should consider carefully the following factors: the risk that the Company's technology and products based on such technology will not achieve commercial acceptance on a timely basis; the Company's limited operating history and absence to date of commercial sales; the potential need for the Company to raise additional funds through additional financings; the risk that competitors will develop products that compete with the Company's technology; the risk that the Company will be unable to adequately protect its intellectual property; the possibility of the termination of the Company's license agreement with the licensor of its Supertag technology under certain conditions; the Company's dependence on key personnel; the ability of the Company to manage the expansion of its business; the rapid pace of change of technology, industry standards and new product standards; the potential award of damages against the Company relating to a legal proceeding; and risks associated with Aegis. See "Risk Factors".
Dividend Policy:	SAMSys has not in the past and does not intend in the foreseeable future to pay dividends on its Common Shares. The Company intends to retain its earnings to finance the growth and development of its business. The Board of Directors of SAMSys will review this policy from time to time having regard to the Company's financing requirements, its financial condition and other factors which the Board of Directors considers relevant.

THE COMPANY

SAMSys was incorporated under the laws of the Province of Ontario on September 24, 1973. Operating under the names Adanac Gas & Oil Incorporated and, subsequent to August 2, 1974, Spanex Resources Limited, SAMSys was initially engaged in oil and gas exploration and development activities. SAMSys was dissolved on May 20, 1985 and revived by articles of revival dated August 26, 1986. SAMSys reorganized its capital and changed its name to Spanex Capital Inc. on March 3, 1988 and on April 3, 1989 again reorganized its capital. On September 30, 1992, SAMSys amalgamated with its two wholly-owned subsidiaries, 995686 Ontario Incorporated and 973952 Ontario Incorporated. On April 25, 1996, SAMSys acquired a controlling interest in Semaphore Asset Management Systems Incorporated ("Semaphore"), a Nova Scotia corporation which is the licensee of the Supertag Radio Frequency Identification Protocol ("Supertag") technology. At the time of the acquisition, SAMSys was inactive and carried on no commercial activity. The acquisition was accounted for as a reverse take-over ("RTO") under the purchase accounting method. In July 1996, SAMSys acquired all of the remaining shares of Semaphore. Since the RTO transaction, SAMSys has focused its activities on developing products utilizing the Supertag technology. On April 24, 1997, SAMSys changed its name to SAMSys Technologies Inc. and consolidated its Common Shares on a one-for-three basis.

In addition to Semaphore, SAMSys has two other subsidiaries: SAMSys Inc., a Delaware corporation which is wholly-owned by Semaphore and which carries on sales and marketing and research and development activities; and Aegis Manufacturing Corporation ("Aegis"), an Ontario corporation in which SAMSys holds a 63% interest and which designs, certifies and assembles a wide range of personal computers and other electronic products.

The registered and head office of the Company is located at 2300 Yonge Street, Suite 408, Toronto, Ontario, M4P 1E4.

BUSINESS OF THE COMPANY

Company Overview

The Company provides solutions for tracking and controlling the movement of property and personnel through the use of portable wireless devices. The Company participates in the Automatic Data Collection ("ADC") systems industry which includes bar code, magnetic stripe, optical character recognition, contact memory, smart card, surface acoustic wave and radio frequency identification ("RF/ID") technologies. The Company is focusing its efforts on utilizing RF/ID technology to facilitate the collection of data from tagged items in an automated manner.

The principal competitive advantage of the Company's technology is the Supertag Radio Frequency Identification Protocol ("Supertag") technology which the Company has acquired by a way of a non-exclusive, non-transferable license from British Technology Group Limited ("BTG"). The Supertag technology provides greater range than other passive RF/ID technologies and the ability to process large batches of tags simultaneously. For example, the Supertag technology permits the contents of a case to be accurately read without the need to unpack it or to sort the contents individually. The Company's research and development activities have resulted in the creation of proprietary intellectual property which complements the Supertag technology. This intellectual property is comprised in the Company's SAMSys FasTrak® asset tracking system which includes full read/write capability for its tags, low operating power levels and data integrity as well as tag and reader architectures that allow for comparatively low cost production. The Company believes its products will meet tracking and data collection needs which in the past could not be met by existing technology or which could only be met at prohibitive costs.

The Company believes that the market segment most appropriately positioned to receive RF/ID technology is logistics management, an aspect of supply chain engineering which relates to the monitoring and management of goods through the manufacturing, warehousing, distribution and delivery process. The Company's current focus is on the development of commercial products, including tags and readers, for tracking pallets and reusable containers as the application in which the Company's technology will first be applied. The Company also intends to target on a selective basis the high value asset management market (of which pallet tracking is a part) and other markets which will benefit from the unique functionality made possible by the Supertag technology. Possible applications in these areas include cash control, mail and parcel tracking, automobile tracking, equipment utilization and records storage management.

As RF/ID is a technology which requires customization to individual applications, the Company has historically pursued a strategy of developing its technology through a consultative process with potential users and industry participants. Initially, the Company developed and provided to potential users Application Development Kits ("ADKs") which permitted the Company and the users to analyze and define the specific requirements of an application. In addition to introducing potential users to the Company's technology and allowing the Company to establish itself within the RF/ID industry, the ADKs provided the Company with the opportunity to conduct field trials in conjunction with end users so as to establish the most ideal operating criteria for its products. As a result of the experience gained through these field trials, in mid-1997 the Company determined to focus its activities on the logistics management market and in particular, the development of products for tracking pallets and reusable containers. To this end, the Company has established strategic alliances with both systems integrators and sophisticated end users participating in the pallet and reusable container industry. The Company expects that its SAMSys FasTrak® system will be ready for commercial production and sale during the 1998 fiscal year. See "Business of the Company - SAMSys Technologies Inc. - Business Strategy".

The Automatic Data Collection Systems Industry

The ADC systems industry is comprised of technologies, including those described below, which are designed to track and collect information or data in a particular way. Certain ADC technologies are limited in their use. Management of SAMSys believes that the SAMSys FasTrak® system offers a new solution for data collection and tracking needs, particularly in the pallet and reusable container market, due to its comparatively low production costs, the lack of need for physical contact by the reader, batch reading, tag orientation and read/write capabilities.

Bar Codes: The bar code remains the predominant ADC technology today, with a wide range of applications including item tracking, inventory control, time and attendance recording, work-in-progress monitoring, retail check-out, access control and patient-care applications. The bar code is an identification tool that provides accurate and timely support for the data requirements of sophisticated management systems. Bar codes use a pattern of bars and spaces of varying widths representing digits, letters or punctuation symbols to identify an item or regulate its movement. The manner in which these bars and spaces are arranged is referred to as a symbology. The symbology is illuminated by an infrared or visible light source; dark bars absorb the light, and spaces reflect it back to the scanner. The resulting light fluctuations are transformed into electrical impulses, which in turn are decoded into computer-usable binary code. Scanners can be stationary or hand-held. Some bar codes require contact, while others can read tags from several feet. Implementing bar code technology is relatively easy and inexpensive, making it easy for users to adapt. Bar code technology is limited, however, by the laws of optics which make the technology unsuitable for certain applications.

Magnetic Stripe Cards: Magnetic stripe card technology uses the magnetic field of an encoding head to record data in the form of magnetic flux reversals. This information is placed onto a layer of magnetic material similar to that on an audio or video tape, which is attached to the front or back of a paper or plastic card. A decoder reads the flux reversals and translates them into letters and numbers for computer processing. There are two versions of magnetic stripe cards; the credit card type, and a high coercivity version that decreases the chances of data being erased or damaged accidentally. Magnetic stripe card technology is standard in the financial and retail industries for use in automatic teller machines and point-of-sale terminals. Other applications include access control, time and attendance systems, and transit fare collections and similar "stored value" applications. The amount of data that can be stored on a card is large, and is capable of being updated. Magnetic stripe card technology requires physical contact with the reader, however, and as a result is not passive in its use and can deal with only one card at a time. Read time associated with magnetic stripe cards is also slow compared to other ADC technologies.

Optical Character Recognition: While optical character recognition technology is slow and cumbersome, the data is readable by humans as well as by machines. Human readability is an advantage in such applications as courier delivery, and the Company is keeping this functionality in mind as a future product development challenge. Management of the Company believes that it may be possible to employ optical character recognition in the Company's RF/ID applications in the future, as the electronic footprint offered by RF/ID tagging can incorporate display capabilities.

Contact Memory: In contact memory technology, a semiconductor memory chip is encased in a housing which resembles a watch battery and is attached to a read/write device. The major limitation of this technology is that it is dependent upon making physical contact, so the advantages of range and non-operator intervention are lost. In addition, battery power is mandatory. Examples of current applications include systems designed to ensure that security guards have passed all required waystations on their route, and the tracking of mail collection from mail boxes.

Smart Cards: Smart cards have been in widespread use in Europe for many years, but have been relatively slow to gain acceptance in North America. The smart card is similar in form to the magnetic stripe card, except that data is stored in embedded chips, rather than on a layer of magnetic material. There is typically a programmable integrated circuit board employed in the smart card, making the card capable of a greater number of applications than magnetic stripe cards and particularly suited to access control applications. Smart cards have generally been designed to communicate through surface contacts, but RF/ID communication is possible. Non-contact smart cards communicate at low frequencies and at short ranges, and communication is relatively slow compared to other ADC technology. Furthermore, batch reading is not possible with smart cards.

Surface Acoustic Wave Tags: Surface acoustic wave tags are small, passive tags, in which a transducer converts the electric energy from the reader into an acoustic pattern that is unique to the tag. This acoustic pattern is in turn re-converted to electric energy. Transmission speed is quite high, and ranges up to six feet have been achieved. In addition, the small amount of data pre-coded onto the tags is essentially impossible to tamper with. The tags and readers associated with this technology are quite expensive, however, and read/write capability does not exist. This technology is used principally in military operations, where a high level of security is required.

Radio Frequency Identification: In RF/ID systems, like the SAMSys FasTrak® system, electronic tags are programmed with unique information and attached to objects which are to be identified, tracked or accounted for. The data can also be updated later, provided that read/write capability is incorporated in the design. Interrogation devices, called readers or interrogators, read the information as tagged objects pass. In hand-held versions, the antenna moves and the object may be stationary. RF/ID manufacturers use selected frequencies from a low of 50 KHz to a high of 2.5 GHz. Low-frequency (50 KHZ to 14 MHz) systems are generally low-cost, work at close range, do not require licensing and are tolerant of metal and electrical interference. High-frequency systems (14 MHz to 2.5 GHz) generally cost more, work over greater distances and are more directional. The ability to select varying frequencies permits the use of RF/ID technology on a worldwide basis since frequencies can be adapted to meet the requirements of different countries. See "Business of the Company - Government Regulation". Within products utilizing RF/ID technology, there is a distinction between active and passive tags, i.e. those systems in which the tag contains a transmitter as opposed to those in which the tag derives its power from the reader. While active tags must have an independent power source, passive tags can either be battery powered or derive their power from the illumination by the reader.

RF/ID Technology and the SAMSys FasTrak® System

The Company participates in the RF/ID market within the ADC systems industry. As described under "Business of the Company - The Automatic Data Collection Systems Industry - Radio Frequency Identification", RF/ID systems are comprised of readers and tags which act as miniature transponders (data transmitters and receivers). RF/ID tags can store information such as serial numbers, product identifications (SKUs), model numbers and product histories. A tag can transmit some or all of this information to the reader, or it can have the information encrypted or overwritten using the same communication process. RF/ID systems have been in use for many decades, but the applications have historically been large, physically cumbersome and expensive. These limitations have caused RF/ID technology to pose only a limited threat to alternative ADC technologies. Recognition of the ability of RF/ID technology to contribute to a wide range of applications, including supply chain engineering, has led to a greater focus on further development of this technology as well as decreasing costs.

Practical RF/ID systems have been in use in the manufacturing industry since the early 1970's and were initially utilized in material handling, work-in-progress control, personnel access control and anti-shoplifting devices. Subsequent applications have involved the management of physical facilities, animal tagging and vehicle control. More recently, tracking systems for railroad cars and shipping containers have been introduced, along with military applications. Due to its ability to add or change data written on the tag, RF/ID technology has now been adopted for numerous smart card applications and for use in place of coupons or passes. RF/ID technology is currently being introduced into toll road systems in North America, including the recently constructed Highway 407, north of Toronto, Ontario. In this application, tags attached to vehicles are read as the vehicle passes through a toll, and a cumulative bill is compiled monthly.

RF/ID technology has several advantages relative to the principal competitive ADC technologies, including the following:

- RF/ID tags do not need to be in direct line-of-sight relative to the reader and accordingly, the tag may be placed under, within, or be entirely covered by the container or product to which it is attached. Furthermore, dirt or other opaque substances will not affect the readability of the tag. These advantages of RF/ID technology also enhance batch reading capability.
- RF/ID tags can be provided with a read/write capability, thereby enabling the user to repeatedly change information regarding the status, contents or physical condition of the item.
- RF/ID tags can store large amounts of data.
- The operating range of RF/ID systems can exceed that of optical or contact-based systems.
- RF/ID tags can be read without physical contact or operator intervention.
- Data on a RF/ID tag cannot be erased by strong magnetic fields.

- RF/ID tags are extremely accurate and, when encrypted, are difficult to counterfeit.
- RF/ID tags can be attached to surfaces not ideally suited to any of the alternative systems, and can be physically designed to accommodate difficult or unusual shapes.

The Company employs the Supertag RF/ID technology within its SAMSys FasTrak® system. The key attribute which distinguishes the Supertag technology from other RF/ID technologies is its ability to read many identical or different tags simultaneously. Other RF/ID technologies maintain communications with single tags individually processed past a reader. The essence of the Supertag technology, an anti-clash algorithm, enables many tags to be read simultaneously at a rate exceeding 15 per second.

SAMSys FasTrak® is the product trade name under which the Company incorporates the Supertag technology. The Company's research and development activities have resulted in the creation of additional features not associated with Supertag, such as full read/write capability for its tags, low operating power levels and data integrity as well as tag and reader architectures that allow for comparatively low cost production.

Target Markets and Product Development

Applications for RF/ID systems are numerous, varied and growing. The Company has narrowed its focus toward viable short term opportunities, taking into consideration the strengths and uniqueness inherent in the SAMSys FasTrak® system in order to optimize its competitive advantage. The principal advantages of the SAMSys FasTrak® system include the ability to produce passive, long range, low cost, read/write tags, the capability of communicating with large batches of tags simultaneously, and the unique ability to read multiple identical or different tags. The Company is therefore focusing on high volume asset management applications, including logistics management, and selected high value asset management applications which best exhibit an implicit requirement for such functionality.

Within the area of high volume asset management applications, the Company is focusing on the market for pallets and reusable containers. This market is not currently served by ADC systems which can operate effectively at competitive cost levels, and management believes that RF/ID technology can fulfill the data collection and tracking requirements not previously fulfilled by other ADC technologies. Furthermore, there is a trend in many industries to move away from corrugated cardboard containers toward reusable plastic containers because of environmental considerations. This trend is resulting in the creation of large pools of durable, reusable plastic containers. Because of the comparatively high cost of these products, there is increasing demand for lower cost tracking systems, such as the SAMSys FasTrak® system, which are capable of tracking the pallets or containers and the flow of the goods in or on the containers or pallets. The pallet and container tracking market is an ideal application for the SAMSys FasTrak® system, given its capacity to track a large number of both empty and filled containers while in motion through the various stages of product handling and shipping. The Company has identified a number of potential customers for these and related systems and is currently concentrating its efforts on the North American and European markets. The most significant participant in the global pallet pooling industry is the Chep group of companies ("Chep"), which is embarking on expansion plans which include the renting of reusable plastic containers. To this end, Chep is collaborating with the Company in the development process of the SAMSys FasTrak® system.

In addition to the pallet and reusable container application, a considerable number of industries face challenges in warehousing, inventory and work in progress control, and distribution through closed-loop shipping systems. The high value of the items being managed, or their critical nature, are factors justifying the use of RF/ID technology. Other markets which the Company has identified include the following:

Cash Control/Deposit Tracking **-** Many institutions, including banks and amusement parks, have introduced systems whereby cash is regularly deposited into remote drop safes by staff. It is essential in these circumstances to create an audit function whereby the deposit of the cash will give rise to an electronic transaction which is capable of being recorded, together with other deposits at other locations, by a single controller at a remote location. A field trial of this nature was conducted by the Company at a major theme park in the United States during 1997, the results of which successfully demonstrated the ability to use the SAMSys FasTrak® system for such an application.

Mail Parcel Tracking **-** There is a requirement among the national post offices of the world to measure the relative efficiency of the various international members of the postal community as the most appropriate basis for apportioning revenue sharing among these institutions. The ultimate goal is for all mail sorting and distribution to avail itself of the efficiencies made possible through the non-contact, non-operator intervention capabilities only available through the use of RF/ID technology. Furthermore, RF/ID technology can provide private sector courier companies with an alternative to labour intensive bar code scanning in the tracking of parcels from source to destination.

Records Storage **-** Current records storage practice requires that many boxes be stacked in such a manner as to make recovery of a specific box of records extremely difficult and labour intensive. Participants in the records management industry have repeatedly expressed the need for technology which will permit bulk reading, in order to identify the specific box being sought. The functionality afforded by SAMSys FasTrak® system, whereby individual tags are capable of being read at a significant distance and in the presence of many other tags, is well suited to this type of application.

The Company's research and development activities are carried out by Hamel Davidson Corporation("Hamel"), under supervision of the Company's Director of Engineering. Hamel, which has facilities in Toronto, Ontario and North Carolina, is a high technology electronics design and development company engaged in printed circuit board design, software development, mechanical design and fabrication, prototyping and system level design.

Business Strategy

According to Venture Development Corporation, the worldwide RF/ID marketplace has been growing at a modest but steady pace. Size and cost limitations have historically limited the attractiveness of using RF/ID technologies in mass implementation situations. Over the past several years however, the RF/ID market has demonstrated more aggressive growth due to technologies having been developed which address the size and cost constraints of previous RF/ID technologies. Management of the Company believes that products such as the SAMSys FasTrak® system, which result in far greater operational and cost efficiencies due to enhanced functionality and lower price points, will have a significant impact on the willingness of end users to implement RF/ID solutions.

Recognizing the potential of RF/ID technology in 1995, the Company acquired the Supertag technology. At that time, the Supertag technology was underdeveloped and unexploited. The Company has focussed its research and development initiatives to date on refining and enhancing the technology to advance it to a point of commercial viability. The Company's initial advances were achieved through the design and manufacture of ADKs, which comprised prototype readers, tags and software designed to provide a basic demonstration tool for end users. The Company provided this hardware and software package to a number of corporations and government departments worldwide in order to assist them in establishing the operating parameters for each individual application and distinct operating environment. For its part, the Company was able to use the ADKs to conduct field trials in order to prove the efficacy of the technology and validity of its incorporation into various applications. Field trials of this nature have been conducted at a distribution facility operated by Chep UK Limited (a leading lessor of pallets and reusable containers), a major theme park in the southern United States, the International Post Corporation in Brussels, the Research Division of General Electric Corporation, Symbol Technologies, the United States Department of Transportation and ICL Computer Limited, a subsidiary of Fujitsu Corporation. ADKs have served as both a demonstration tool and a measurement tool and have permitted the Company to work closely with prospective end users on a cooperative and committed basis. Management believes that this consultative development process has enhanced market acceptance among potential customers and has served to foster a sense of reliability and credibility for the Company and its technical development program.

As a result of the experience gained through field trials, the Company recognized the need to shift from a technology marketing approach to a product oriented strategy. The ADK measurement and evaluation program enabled the Company to identify those applications which best utilized the functional capabilities of the SAMSys FasTrak® system. In mid 1997, the Company determined to focus its activities on the logistics management market segment and in particular, the development of products for tracking pallets and reusable containers. The Company is continuing to refine the SAMSys FasTrak® system for use in this application and expects that it will be ready for commercial production and sale during the 1998 fiscal year.

In order to commercialize its SAMSys FasTrak® system, the Company recognizes the need to establish strategic alliances with systems integrators and solution providers who in turn would assume primary responsibility for introducing the Company's product into larger installations. Accordingly, the Company has positioned itself as a hardware supplier and has sought the cooperative and complementary participation of strategic partners

Competition

The market for the Company's SAMSys FasTrak® system and the tags and readers into which the technology has been incorporated is competitive and is affected by new product introductions and other market activities of ADC industry participants. The Company believes that the principal competitive factors affecting the market include product functionality, price, quality, effectiveness of sales and marketing efforts and company reputation.

The ADC market has, until recently, been divided between expensive systems with specialized functionality at one extreme, and inexpensive Electronic Article Surveillance tags at the other. Attempts to entirely replace bar code applications, which have achieved widespread global acceptance, or to compete with bar code pricing in seeking to gain market share or achieve reasonable profitability, are likely not feasible. The Company therefore intends to focus on applications in which it can provide the best value for price, emphasizing the total cost of ownership over the life of the application, particularly in applications where bar code technology is not feasible. A function of this strategy is to seek out applications which will not result in capital investment obsolescence through the replacement of existing ADC technologies other than RF/ID, but rather applications which involve previously unavailable solutions. Therefore, the Company views its competitors as those entities which participate in the RF/ID market. Companies engaged in the development of RF/ID technologies include Amtech Systems Corporation, Texas Instruments Inc., Motorola/Indala, Hughes Identification Devices, Savi Technologies Inc. and Single Chip Systems Inc. Management of the Company believes that its rights to the Supertag technology through which it has developed the SAMSys FasTrak® system sets it apart from its potential competitors, as such technology will permit the Company to deliver a lower cost, higher volume, customized tracking product with unique batch reading capability.

Proprietary Rights

The Company's Supertag technology was originally developed by the Division of Microelectronics and Communications Technology of the Council for Scientific and Industrial Research (the "CSIR") of Pretoria, South Africa. The CSIR developed Supertag technology in order to permit the reading of large batches of passive tags, at considerable range. Over 120 worldwide patents, including patents registered in Canada and the United States, comprise the Supertag technology, with expiry dates ranging from 2007 to 2014. BTG undertook to market the Supertag intellectual property rights on behalf of CSIR, which intellectual property rights were licensed to Semaphore and subsequently assigned to the Company.

Pursuant to an agreement made March 3, 1995 between Semaphore and BTG (the "License Agreement"), BTG granted the Company a non-exclusive, non-transferrable license with related know-how to commercialize the Supertag technology. The Company agreed to pay BTG an initial license fee in the amount of $150,000, of which $50,000 has been paid, the balance to be payable by way of a 10% premium on the royalty payments referred to below, subject to a $25,000 credit on account of a prior option payment made by the Company to BTG. If the License Agreement is terminated prior to BTG receiving payment in full, the remaining balance becomes payable. The License Agreement may be terminated by the Company on six months notice and by BTG in the event of the insolvency or winding up of the Company, a change in control of the Company occurring which materially and adversely affects BTG's commercial, financial or legal interests, the Company failing to adhere to quality standards or specifications reasonably specified by BTG or the Company failing to make the required royalty payments to BTG. The License Agreement provides that royalties, based on the net sales price of a commercialized product, are to be paid to BTG quarterly in respect of licensed products used, sold or otherwise disposed of. The royalties are calculated in accordance with the following schedule: on the first US$10,000,000 in sales, 3.0%; on the next US$40,000,000 in sales, 2.5%; on the next US$100,000,000 in sales, 2.0%; and in excess of US$150,000,000 in sales, 1.5%. An advance minimum royalty in the amount of US $125,000 was due on March 31, 1997, but has not been paid. SAMSys and BTG have agreed that the due date for such payment shall be extended to not later than March 31, 1998 and that SAMSys may satisfy such payment, at its option, by the issuance of Common Shares having an aggregate value of US $125,000. Such Common Shares, if issued, will also be qualified for distribution by this prospectus. Advance minimum royalties in the amount of US $100,000 are due on March 31, 1998, and in the amount of US $150,000 are due on March 31, 1999 and on March 31 of each subsequent year during the term of the License Agreement. SAMSys and BTG have agreed that up to US $50,000 of such future advance minimum royalty payments may be satisfied, at SAMSys' option, by issuing Common Shares in lieu of cash.

The Company's research and development activities have resulted in the creation of additional proprietary intellectual property to SAMSys which is independent of the licensed rights to the Supertag technology. These refinements to the Supertag technology are comprised in the Company's SAMSys FasTrak® system. The Company is continuing to refine and develop the technology comprised in the SAMSys FasTrak® system, in relation to the implementation of its RF/ID technology, and particularly in connection with the development of read/write capability. The Company is planning to implement a worldwide patenting program with respect to its SAMSys FasTrak® system refinements in March 1998. The Company's research and development contractors have maintained logs of the work completed, particularly with respect to the development of read/write capability, in order to support future patent applications.

SAMSys currently maintains U.S. trade-marks for "SAMSys & Design", "SAMSys", and "Semaphore Asset Management Systems Inc. & Design". SAMSys also maintains a U.S. trade-mark pending for "SAMSys FasTrak & Design", and Canadian trade-marks pending for "SAMSys" and "Semaphore Asset Management Systems Inc. & Design".

Government Regulation

Government agencies, including the Federal Communications Commission in the United States and the Canadian Radio-television and Telecommunications Commission in Canada, control and regulate the transmission of electromagnetic energy, including radio waves. The principal controls are imposed upon the power which may be radiated at any given frequency. Every device transmitting radio waves must be certified and broadcasters must apply for a license to broadcast at a specified power and frequency. An exception, however, is made for devices operating on ISM (Industrial Scientific and Medical) radio frequency bands. The Company designs its products to operate within existing ISM unlicenced radio frequency bands. The Company is therefore not subject to government licensing requirements. The Company is, however, required to submit its products to the appropriate government authority which reviews and certifies the product based on specific standards established for unlicenced operation within specific ISM bands. Once the product is certified, it may be utilized without a licence. The Company has utilized this certification process in the past to conduct its pilot programs and field trials and anticipates using the same certification process in its commercial production.

Aegis Manufacturing Corporation

On October 24, 1997, SAMSys acquired approximately 63% of the outstanding shares of Aegis. The purchase price for such shares was satisfied through the issuance by SAMSys of 500,000 Common Shares, at an ascribed price of $0.80 per Common Share.

Aegis designs, certifies and assembles a wide range of personal computers and other electronic products, ranging from basic personal computers to high performance work stations and servers. Aegis acts as a contract manufacturer, sourcing components directly from leading suppliers and manufacturing personal computers and other products for its customers under “must take” contracts where margins are contractually guaranteed. Aegis has established business relationships with leading Asian suppliers of electronic components from which it obtains electronic components at favourable prices. Approximately 80% of Aegis’ revenues to date have been derived from the sale of its products to one principal customer. All of Aegis’ receivables are insured by the Export Development Corporation (Canada).

Aegis was incorporated on May 8, 1995 and began operations in September, 1996. According to Aegis’ audited financial statements for the year ended June 30, 1997, its first full financial year, Aegis had gross sales of US$58,781,395 and a net loss of US$665,560. According to such financial statements, as at June 30, 1997, Aegis had total assets of US$24,197,236, total liabilities of US$26,195,211 and an accumulated shareholders’ deficit of US$1,997,975. SAMSys acquired its interest in Aegis in October, 1997 on the basis of these audited financial statements. Since such time, SAMSys has not received any reliable financial information in respect of Aegis which would indicate that either the financial results or financial position of Aegis are materially different than as disclosed in such June 30, 1997 audited financial statements.

SAMSys does not have any representatives on the board of directors of Aegis, nor has Aegis appointed any of the officers of Aegis.

At the time of the acquisition of SAMSys’ interest in Aegis, SAMSys was hopeful that Aegis would provide it with a number of potential strategic synergies. However, since the time of the acquisition, the strategic synergies initially thought to exist between SAMSys and Aegis have not materialized and a divergence in operating strategies and management styles between the companies has recently emerged. Accordingly, it is SAMSys’ present intention to dispose of its interest in Aegis. However, in the event that SAMSys is unable to dispose of its interest on satisfactory terms, SAMSys will consider other options available to it with respect to Aegis. See “Risk Factors - Aegis Manufacturing Corporation”.

In the event that SAMSys disposes of its interest in Aegis, alternate arrangements for obtaining procurement expertise, engineering services and manufacturing facilities will be made by SAMSys.

Employees and Facilities

SAMSys maintains its head office at 2300 Yonge Street, Toronto, Ontario. The premises, which occupy approximately 2300 square feet, are leased on usual commercial terms. Aegis’ manufacturing facilities are located in Concord, Ontario. The premises, which occupy approximately 42,400 square feet, are also leased on usual commercial terms. Management of SAMSys believes that its current facilities are sufficient to meet its present needs.

The Company, other than Aegis, employs five persons, including the Company’s management and research and development personnel. Aegis employs approximately 130 persons, of which approximately 45 persons are engaged in production activities. None of the employees are represented by a union or are subject to a collective bargaining agreement. Neither the Company nor Aegis has experienced work stoppages and each of the companies believes that its relations with its employees are good.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the Company's financial condition and results of operations is qualified by and should be read in conjunction with the consolidated financial statements of the Company and the notes thereto contained elsewhere in this prospectus.

Overview

SAMSys was incorporated under the laws of the Province of Ontario on September 24, 1973. On April 25, 1996, SAMSys (then known as Spanex Capital Inc. ("Spanex")) acquired a controlling interest in Semaphore Asset Management Systems Incorporated ("Semaphore"), a privately held company and the licensee of the Supertag technology. The acquisition was accounted for as a reverse take-over ("RTO") under the purchase accounting method. At the time of the RTO transaction, Spanex was inactive and carried on no commercial activity and Semaphore's activities were limited to early-stage research and development initiatives relating to the Supertag technology.

Since the RTO transaction, the Company has focussed its activities on developing products utilizing the Supertag technology, none of which has been commercialized to date. As a result, prior to the acquisition of the Aegis interest, the Company had no current sources of revenue other than interest earned on cash and short-term and money market instruments, all of which were derived from issuances of share capital. Expenditures relating to the development of the SAMSys FasTrak® system and related technology, including research and development expenditures and license and patent fees, have been recorded as deferred expenses; all other expenditures have been expensed as incurred. These deferred expenses will be amortized over a three year period commencing on the launch of commercial production of the SAMSys FasTrak® system, following which expenditures of this type will be expensed as incurred. Income relating to the sale of ADKs utilized by potential customers during product trial stage and government grants are recorded as a reduction of deferred expenses.

As a result of the acquisition of the interest in Aegis described under "Business of the Company", the consolidated financial statements of the Company for the three months ended December 31, 1997 and for the six months ended March 31, 1998 will take into account the financial results of Aegis for the period after October 24, 1997. Although financial results of Aegis for this period have not yet been prepared or disclosed to the Company, according to its audited financial statements for the fiscal year ended June 30, 1997, being its first full financial year, Aegis had gross sales of US$58,781,395 and a net loss of US$665,560. According to such financial statements, as at June 30, 1997, Aegis had total assets of US$24,197,236, total liabilities of US$26,195,211 and, an accumulated shareholders deficit of US$1,997,975. See "Business of the Company - Aegis Manufacturing Corporation".

Historical results of operations relating to Spanex's activities prior to the RTO transaction are not discussed below as they are not relevant to the Company's current results and do not provide an appropriate basis for comparison.

Results of Operations

Fiscal 1997 Compared to Fiscal 1996

The Company's results of operations for its fiscal year ended September 30, 1997 reflect twelve months of full operations, compared to limited operations during its fiscal year ended September 30, 1996.

During fiscal 1997, the Company incurred expenses of $1,015,709, compared to $423,201 in fiscal 1996, representing an increase of 140%. The increase is attributable principally to additional management and directors' fees, office and general expenses and travel and promotional expenses required to be incurred as the Company moves toward commercialization of its SAMSys FasTrak® system. In fiscal 1997, management and directors fees increased to $354,981 from $148,468 in fiscal 1996, office and general expenses increased to $252,098 from $50,312 and travel and promotional expenses increased to $170,984 from $48,869.

During fiscal 1997, the Company earned interest income of $30,921 from its short-term investments, compared to $9,760 in fiscal 1996.

The Company had a net loss for fiscal 1997 of $985,418, compared to a net loss of $248,853 in fiscal 1996.

The Company's product development costs increased to $2,036,582 in fiscal 1997 from $1,502,336 in fiscal 1996, reflecting additional expenses incurred in connection with the pending commercialization of its products. Licence and patent fees increased to $307,330 in fiscal 1997 from $132,193 in fiscal 1996, reflecting an increase in payments due to the licensor of the Supertag technology.

Liquidity and Capital Resources

Since the RTO transaction, the Company has financed its working capital requirements through funds received from the issuance of Common Shares on a private placement basis. The Company has not utilized bank financing to fund its activities to date, and as at the date hereof its only liabilities, other than the liabilities of Aegis, are current liabilities comprised of accounts payable and accrued liabilities.

During fiscal 1996, SAMSys raised $2,796,800 through the issuance of Common Shares on a private placement basis. Working capital (current assets less current liabilities) as at September 30, 1996 was $1,272,840.

During fiscal 1997, SAMSys raised $500,000 through the issuance of Common Shares on a private placement basis. Working capital as at September 30, 1997 was $93,216.

Subsequent to September 30, 1997, SAMSys issued the Special Warrants for gross proceeds of $4,050,000. The Agents' fee and expenses of the offering are expected to be approximately $583,500, resulting in net proceeds of approximately $3,466,500. The Company intends to use the net proceeds for marketing and research and development purposes related to the SAMSys FasTrak® system, in respect of which approximately $1,000,000 is expected to be spent during the 1998 fiscal year.

Historically, Aegis has experienced high levels of indebtedness to trade creditors. The audited financial statements of Aegis as at June 30, 1997 being the end of its most recently completed financial year, show accounts payable and accrued liabilities of US$18,127,369. A significant portion of such indebtedness is past due. As at June 30, 1997, according to its financial statements, Aegis had an accumulated deficit of US$1,998,075 and its working capital was US($2,508,197). Accordingly, Aegis may require additional funding to resolve its outstanding trade debts in a satisfactory manner. SAMSys has no present intention of funding any portion of such requirements. As indicated above, it is SAMSys' present intention to dispose of its interest in Aegis. However, there can be no assurance that SAMSys will be able to dispose of its interest in Aegis on satisfactory terms. If SAMSys does not dispose of its interest in Aegis, in appropriate circumstances and to the extent that an acceptable business model and operating strategy for Aegis can be developed, SAMSys would consider providing working capital to Aegis for its operations. In addition, although SAMSys does not believe that it will be required to provide working capital to Aegis, in certain circumstances it may be claimed that SAMSys is obligated to do so and there can be no assurance that SAMSys would be successful in defending any potential claims in this regard. See "Risk Factors - Aegis Manufacturing Corporation".

Outlook

The Company expects to incur significant expenses in connection with the commercialization of its SAMSys FasTrak® system and may incur additional working capital expenses. The Company expects that its SAMSys FasTrak® system will be ready for commercial production and sale during fiscal 1998. Any income generated from commercial sales of its products incorporating the Supertag protocol is subject to the right of the licensor of the Supertag technology to receive royalty payments in respect of such sales. See "Business of the Company - SAMSys Technologies Inc. - Proprietary Rights". The Company anticipates that its current cash resources will be sufficient to finance the Company's planned operations, expenditures and operating losses through to the launch of commercial production. In the event that unanticipated business opportunities or expenditures arise before the launch or an unanticipated delay in launch occurs, the Company may require additional financing. In either case, the Company would seek to obtain financing from equity investors, lenders or other sources.

It is SAMSys' present intention to dispose of its interest in Aegis. However, in the event that SAMSys is unable to dispose of its interest on satisfactory terms, SAMSys will consider other options available to it with respect to Aegis. The audited financial statements of Aegis show an accumulated deficit of US$1,998,075 as of June 30, 1997. Accordingly, there can be no assurance that Aegis will achieve or sustain profitability. See "Risk Factors - Aegis Manufacturing Corporation".

DESCRIPTION OF SHARE CAPITAL

As at the date hereof, the records of the transfer agent for SAMSys indicate that 14,136,510 Common Shares are issued and outstanding. No Special Shares are issued and outstanding. The number of issued and outstanding Common Shares includes 3,150,000 Common Shares issued on the inadvertent exercise of an equivalent number of Special Warrants by three holders of Special Warrants. SAMSys has received a written acknowledgement from each of these holders which describes the inadvertent exercise of the Special Warrants, undertakes to return to SAMSys for cancellation the share certificates issued therefor and requests delivery of a replacement certificate for their Special Warrants. The holders further certify that the Common Shares issued to them upon the inadvertent exercise of their Special Warrants have not been traded or otherwise disposed of. The Company is in the process of rectifying the foregoing inadvertent exercises of Special Warrants and, given the anticipated cancellation of the share certificates representing the corresponding Common Shares, all references to the number of issued and outstanding Common Shares and Special Warrants contained in this prospectus give effect to the cancellation of the share certificates representing the 3,150,000 Common Shares and the issue of replacement certificates for the corresponding 3,150,000 Special Warrants, making the relevant number of issued and outstanding Common Shares as at the date hereof 10,986,510.

The following is a summary of the material provisions of the share capital of SAMSys.

Common Shares

The holders of Common Shares are entitled to receive notice of, and to attend, all general and special meetings of shareholders. Each Common Share entitles its holder to one vote at any such meeting, other than meetings at which only holders of a particular class or series of shares are entitled to vote. The holders of Common Shares are, at the discretion of the Board of Directors of SAMSys, entitled to receive out of any and all profits or surplus of SAMSys properly available for the payment of dividends, and after payment of any dividend payable on securities of SAMSys, entitled to receive dividends prior to the Common Shares, to any dividends declared by the Board of Directors and payable by SAMSys on the Common Shares. The holders of Common Shares are entitled to participate equally in any distribution of the assets of SAMSys upon a liquidation, dissolution or winding up of SAMSys or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, subject to the rights, privileges, restrictions and conditions attaching to any securities of SAMSys issued and outstanding at such time ranking prior to the Common Shares in respect of any distribution of assets upon such liquidation, dissolution, or winding up of SAMSys.

Special Shares

The Special Shares are issuable in series. Subject to SAMSys' articles, the Board of Directors is authorized to fix, before issuance of a particular series of Special Shares, the designation, rights, privileges, restrictions and conditions attaching to such series. To date, no Special Shares have been issued by SAMSys, nor has any series of Special Shares been authorized by the Board of Directors for issuance.

CONSOLIDATED CAPITALIZATION

The following table and notes set forth the capitalization of SAMSys as at September 30, 1997 and as at December 31, 1997, both actual and as adjusted to give effect to the exercise of the Special Warrants (after deducting the Agents' fee and the estimated expenses of the offering) and the issue of 405,000 Compensation Options to be issued to the Agents. This table should be read in conjunction with the Consolidated Financial Statements and the notes thereto.

	As at September 30, 1997 Actual (audited)	As at December 31, 1997 Actual (unaudited)	As at December 31, 1997 As Adjusted (unaudited)
Shareholders' Equity:			
Common Shares [1] (Authorized - unlimited)	$4,296,800 (10,486,510 shares)	$4,696,800 (10,986,510 shares)	$8,163,300 (15,036,510 shares)
Special Shares (Authorized - unlimited)	-	-	-
Retained Earnings (Deficit)[2]	(1,234,276)	(1,234,276)	(1,234,276)
Total Capitalization	$3,062,524	$3,462,524	$6,929,024

(1) Excludes 2,604,486 Common Shares issuable upon exercise of currently outstanding options and warrants, including the Compensation Options to be issued to the Agents. See "Options and Warrants to Acquire Common Shares".

(2) Amounts recorded for December 31, 1997, both actual and as adjusted, are as at September 30, 1997.

DIRECTORS AND OFFICERS

The names, municipalities of residence, positions held with SAMSys and principal occupations of the directors and officers of SAMSys are indicated in the following table:

Name and Municipality of Residence	Position with SAMSys	Principal Occupation
Jeff Berkow .... Beverley Hills, California	Director	Self Employed Business Executive
Clifford A. Horwitz [1].................... Thornhill, Ontario	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of SAMSys
Paul C. Martin .... Toronto, Ontario	Director, President, Chief Operating Officer and Secretary/Treasurer	President and Chief Operating Officer of SAMSys
Dr. Paul M. Russo[1][2].................... Toronto, Ontario	Director	Chairman and Chief Executive Officer, Genesis Microchip Inc. (a microchip company)
Philip Thompson [1][2].................... Perth, Ontario	Director	Corporate Director
Thomas Zender [2].......................... Irvine, California	Director	Consultant

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

Except as noted below, each of the directors and officers of SAMSys has been engaged in his present principal occupation during the last five years:

Jeff Berkow - Mr. Berkow served as President of SAMSys' subsidiary, SAMSys Inc. from March 1997 to August 1997, prior to which he served as Vice-President of SAMSys Inc.(from July 1996). Prior to joining SAMSys Inc. in July 1996, Mr. Berkow served in various senior management capacities with Tiger Oats Group, a South African consumer products company, including as the Chief Executive Officer of its International Division based in Minneapolis, Minnesota.

Clifford A. Horwitz - Mr. Horwitz has served as Chairman and Chief Executive Officer of SAMSys since March 1997, prior to which he served as President and Chief Executive Officer of SAMSys (from April 1996) and Chief Executive Officer of Semaphore (from May 1994). During the period July 1993 to March 1995, Mr. Horwitz served as President of Paragon Resource Group Inc., a franchising and intellectual property consulting company. Prior to July 1993, Mr. Horwitz served as President and Chief Executive Officer of Jumbo Video Inc., a franchisor of retail home entertainment stores.

Paul C. Martin - Mr. Martin has served as President and Chief Operating Officer of SAMSys since March 1997, prior to which he served as Executive Vice President and Chief Operating Officer of SAMSys (from March 1996). Prior to March 1996, Mr. Martin was a practicing solicitor with the Halifax, Nova Scotia law firms of Metcalf & Company and Cox Downie.

Dr. Paul M. Russo - Dr. Russo has served as the Chairman and Chief Executive Officer of Genesis Microchip Inc., a microchip company based in Markham, Ontario, since its inception in 1987. Prior to founding Genesis Microchip Inc., Dr. Russo served in various senior management positions with Spectrum Semiconductor and General Electric (USA). Dr. Russo has also served as a professor at the Faculty of Electrical Engineering and Computer Science, University of California.

Philip Thompson - Mr. Thompson, previously a professional engineer in Ontario and a chartered engineer in the United Kingdom, has been retired for over five years.

Thomas Zender - In his current consulting capacity, Mr. Zender provides companies competing in the information technologies sector with business planning, market development and management advice. Prior to becoming a consultant, during 1995 and 1996 Mr. Zender served as the General Manager, Software Business Unit and Vice-President, Marketing of MTI Technology Corporation, a United States data management company. Prior to 1995, Mr. Zender served as the Vice President, Corporate Business Development of Encore Computer Corporation (from 1989-1995) and in senior management positions with a variety of information technology companies.

Committees of the Board of Directors

The Board of Directors of SAMSys has established an Audit Committee and a Compensation Committee. The Audit Committee is responsible for reviewing the Company's financial statements and its internal controls, and reporting thereon to the Board of Directors. The Audit Committee is also responsible for reviewing the work of the Company's independent auditors. The Compensation Committee is responsible for reviewing the level and form of compensation payable to the executive officers of SAMSys and making recommendations thereon to the Board of Directors. The Compensation Committee is also responsible for making recommendations to the Board of Directors with respect to incentive plans for SAMSys. The Board of Directors also intends to establish a Corporate Governance Committee. The Corporate Governance Committee will be responsible for establishing and monitoring SAMSys' approach to corporate governance and reporting thereon to the Board of Directors. Until such time as the Corporate Governance Committee is established, the entire Board of Directors will continue to oversee SAMSys' corporate governance practices.

EXECUTIVE COMPENSATION

The following table, presented in accordance with the regulation under the *Securities Act* (Ontario), sets forth all compensation paid for each of the fiscal years in the three year period ended September 30, 1997 in respect of the individuals who served as Chief Executive Officer of SAMSys during the most recently completed financial year and the only other executive officer of SAMSys who earned salary and bonus of more than $100,000 during any of such years (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	All other Compensation [2] ($)
		($) Salary	($) Bonus	Other Annual Compensation ($)	Securities Under Options Granted[1] (#)	
Clifford A. Horwitz, Chairman and Chief Executive Officer	1997 1996 1995	- - -	- - -	275,000[3] 289,000[3] 130,000[3]	- 450,000 -	$100,000 [4] - -
Paul C. Martin, President, Chief Operating Officer and Secretary/Treasurer	1997 1996 1995	- - -	- - -	186,000[5] 84,000[5][6] -	120,000 200,000 -	- - -

(1) Options to purchase Common Shares granted pursuant to SAMSys' Stock Option Plan.

(2) Except as indicated, the aggregate value of all other compensation paid to the Named Executive Officers did not exceed $50,000 or 10% of the total of any such officer's salary and bonus in any of the three fiscal years ended September 30, 1997.

(3) Represents management fees paid in respect of Mr. Horwitz's services. The Compensation Committee has set Mr. Horwitz's compensation at $200,000, effective December 15, 1997.

(4) Represents forgiveness of a loan to Mr. Horwitz from SAMSys in the principal amount of $100,000. See "Indebtedness of Directors and Senior Officers".

(5) Represents management fees paid in respect of Mr. Martin's services. The Compensation Committee has set Mr. Martin's compensation at $150,000, effective December 15, 1997.

(6) Mr. Martin joined SAMSys in March 1996.

The following table sets forth grants of stock options made to Mr. Martin under SAMSys' Stock Option Plan during the fiscal year ended September 30, 1997. Mr. Horwitz was not granted any stock options during the 1997 fiscal year.

Option Grants During the Fiscal Year Ended September 30, 1997

Named Executive Officer	**Securities Under Options Granted** (#)	**% of Total Options Granted In Financial Year**	**Exercise Price** ($/Share)	**Market Value of Shares Underlying Options on Date of Grant** ($/Shares)	**Expiry Time**
Paul C. Martin	120,000	35%	0.65	0.65	- [1]

(1) The expiry date of the options granted to Mr. Martin is the earlier of (a) the last day of the 36th month following the date on which Mr. Martin ceases to be a senior officer of SAMSys or its affiliates, and (b) August 24 , 2007.

The following table sets forth the aggregate number of outstanding options held by the Named Executive Officers, all of which options were exercisable, as at September 30, 1997. None of the options were in-the-money as at September 30, 1997. No options were exercised by the Named Executive Officers during the fiscal year ended September 30, 1997.

Aggregated Option Exercises During the Fiscal Year Ended September 30, 1997 and Option Values as at September 30, 1997

Name of Executive Officer	Unexercised Options at September 30, 1997 (#)	Value of Unexercised In-The-Money Options at September 30, 1997 ($)
Clifford A. Horwitz	450,000	-
Paul C. Martin	320,000	-

Compensation of Directors

Each of Jeff Berkow, Dr. Paul M. Russo and Thomas Zender is paid a fee of $5,000 per year for serving as directors of SAMSys, plus an additional fee of $500 for attending each meeting of the Board of Directors. Philip Thompson does not receive fees for serving as a director of SAMSys. Directors who are officers of SAMSys also do not receive fees for serving as directors of SAMSys.

Directors and Officers Insurance

SAMSys maintains directors' and officers' insurance in the amount of $1,000,000, subject to a $25,000 deductible loss payable by SAMSys, to insure SAMSys' directors and officers for losses as a result of claims made against them in their capacity as directors and officers. The current annual premium in respect of such insurance of approximately $11,000 is paid by SAMSys.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended September 30, 1997, the only outstanding indebtedness to SAMSys (other than immaterial indebtedness related to reimbursement of expenses) by any director, executive officer or senior officer of SAMSys, or any associate thereof, was a loan in the amount of $100,000 made to Mr. Horwitz on November 12, 1996, which loan has been forgiven by SAMSys. The loan related to a purchase of Common Shares. The maximum amount of indebtedness owing in respect of the loan during the fiscal year ended September 30, 1997 was $100,000. There is currently no outstanding indebtedness to SAMSys by any director, executive officer or senior officer of SAMSys or any associate thereof.

OPTIONS AND WARRANTS TO ACQUIRE COMMON SHARES

As at the date hereof, other than the Special Warrants, SAMSys has outstanding options and warrants to acquire an aggregate of 2,604,486 Common Shares, including the Compensation Options to be issued to the Agents and the options and warrants described below.

Stock Option Plan

SAMSys' Stock Option Plan (the "Plan") was established to provide an incentive to, and to recognize the contribution to SAMSys of, certain eligible persons. The Board of Directors determines which eligible persons are to be granted options and determines the exercise price of the options granted, which exercise price cannot be less than the last closing price of the Common Shares on the Montreal Exchange on the trading day immediately preceding the day on which the option is granted. No options may be outstanding for a term greater than ten (10) years.

The Plan currently provides that the aggregate number of Common Shares that may be issued under the Plan, together with the aggregate number of Common Shares which are reserved for issuance under options previously granted, may not exceed 2,100,000 Common Shares.

The following table sets forth details with respect to options to purchase Common Shares which are currently outstanding.

Outstanding Options to Purchase Common Shares

Holder	Date of Grant	Common Shares Under Option (#)	Exercise Price ($/Share)	Expiry Time
Executive officers, as a group (2 in total)	February 28, 1996 May 21, 1996 August 25, 1997	200,000 450,000 120,000	1.50 1.95 0.65	August 31, 2000 August 31, 2000 -[(1)]
Directors who are not also executive officers, as a group (4 in total)	May 21, 1996 July 16, 1996 April 24, 1997	83,333 166,667 100,000	1.95 1.50 1.50	August 31, 2000 September 30, 1999 April 23, 2002
Employees, former officers and directors and consultants (5 in total)	May 21, 1996 July 16, 1996 March 5, 1997 July 7, 1997 August 25, 1997 December 15, 1997	50,000 38,333 16,667 25,000 38,333 40,000	1.95 1.50 1.59 0.85 0.65 1.05	August 31, 2000 July 15, 2001 February 1, 2002 July 6, 2002 August 24, 2002 December 14, 2002

(1) The expiry date is the earlier of (a) the last day of the 36th month following the date on which the holder ceases to be a senior officer of SAMSys or its affiliates, and (b) August 24, 2007.

Outstanding Warrants to Acquire Common Shares

The following table sets forth details with respect to warrants, other than Special Warrants, to acquire Common Shares which are currently outstanding:

Outstanding Warrants to Acquire Common Shares

Series	Date of Grant	Common Shares Under Warrant (#)	Exercise Price ($/Share)	Expiry Time
“B”	March 11, 1996- March 18, 1996	183,333	1.50	February 28, 1999
“C”	April 12, 1996	441,667	1.85	February 28, 1999
“D”	April 24, 1996	246,153	2.40	March 31, 1999

PRINCIPAL SHAREHOLDERS

As at the date hereof, the only person or company who owns of record, or who to the knowledge of SAMSys owns beneficially, directly or indirectly, more than 10% of the Common Shares of SAMSys is indicated in the following table:

Shareholder	Type of Ownership	Number of Common Shares Owned	Percentage of Common Shares Before Giving Effect to this Offering	Percentage of Common Shares After Giving Effect to this Offering [(1)]
2438514 Nova Scotia Limited[(2)]	Registered and Beneficial	3,666,667	33.37%	24.39%

(1) As adjusted to reflect the issuance of 4,050,000 Common Shares be issued by SAMSys upon exercise of the Special Warrants but not the Common Shares issuable upon exercise of the Compensation Options to be issued to the Agents.

(2) 2438524 Nova Scotia Limited is a company all of the issued and outstanding shares of which are held by Joanne Horwitz, the spouse of Clifford A. Horwitz. Mr. Horwitz is the Chairman and Chief Executive Officer of SAMSys. The 3,666,667 Common Shares held by 2438514 Nova Scotia Limited are subject to the escrow requirements described under "Escrow Arrangements".

To the knowledge of SAMSys, as at the date hereof, the directors and senior officers of SAMSys and their associates, as a group, own beneficially, directly or indirectly, 3,704,667 Common Shares representing approximately 33.7% of the outstanding Common Shares before giving effect to the exercise of Special Warrants into 4,050,000 Common Shares, or approximately 24.6% of the outstanding Common Shares after giving effect to the exercise of Special Warrants into 4,050,000 Common Shares. An aggregate of 3,666,667 of the Common Shares owned of record or beneficially by the directors and senior officers of SAMSys and their associates are subject to the escrow requirements described under "Escrowed Shares".

DIVIDEND POLICY

SAMSys has not in the past and does not intend in the foreseeable future to pay dividends on its Common Shares. The Company intends to retain its earnings to finance the growth and development of its business. The Board of Directors of SAMSys will review this policy from time to time having regard to the Company's financing requirements, its financial condition and other factors considered relevant.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below, none of the principal shareholders, directors or senior officers of SAMSys, nor any associates or affiliates of such parties, has had any direct or indirect material interest in any actual or proposed transaction with SAMSys within the last three years which has materially affected or will materially affect SAMSys or any of its affiliates.

On April 25, 1996, SAMSys completed the acquisition of 6,000 shares of Semaphore from 2438514 Nova Scotia Limited ("Novaco"), a company all of the issued and outstanding shares of which are held by Joanne Horwitz, the spouse of Clifford A. Horwitz. Mr. Horwitz is the Chairman and Chief Executive Officer of SAMSys. In consideration of the sale of the Semaphore shares, Novaco was issued 3,666,667 Common Shares of SAMSys. The Common Shares were issued at an ascribed price of $0.10 per share. As a result of the April 1996 acquisition, SAMSys owned 82% of the issued and outstanding shares of Semaphore. The remaining 18% equity position in Semaphore was acquired by SAMSys from the remaining minority shareholders in July 1996.

ESCROW ARRANGEMENTS

In connection with the April 1996 acquisition described under "Interests of Management and Others in Material Transactions", Novaco, SAMSys, and Messrs. Torkin, Manes, Cohen & Arbus, as escrow agent, entered into an escrow agreement (the "Original Escrow Agreement") pursuant to which Novaco's 3,666,667 Common Shares (the "Escrowed Shares") were deposited in escrow with the escrow agent. The Original Escrow Agreement was supplemented by a subsequent escrow agreement (the "Subsequent Escrow Agreement") entered into between Novaco, SAMSys, the Montreal Exchange and Montreal Trust Company of Canada and dated as of December 19, 1996. The Subsequent Escrow Agreement provided that the escrowed shares were to be released as follows: as to 366,666 Common Shares, on September 20, 1997; as to 733,333 Common Shares, on September 20, 1998; as to 733,333 Common Shares, on September 20, 1999; as to 733,333 Common Shares, on September 20, 2000; and as to the balance, on September 20, 2001. In connection with this offering, Novaco, SAMSys and Montreal Trust Company of Canada entered into a supplemental escrow agreement (the "Supplemental Escrow Agreement", together with the Original Escrow Agreement and the Subsequent Escrow Agreement, the "Escrow Agreement") dated as of December 5, 1997 providing for the 366,666 Common Shares released on September 20, 1997 to be redeposited into escrow until December 5, 1998 and for the 733,333 Common Shares scheduled to be released on September 20, 1998 to be retained in escrow until December 5, 1998. The Escrow Agreement provides that while the Escrowed Shares remain in escrow, they may not be transferred, sold or otherwise disposed of except in accordance with the release provisions of the Escrow Agreement.

PRIVATE PLACEMENT AND PLAN OF DISTRIBUTION

On December 5, 1997, SAMSys issued and sold 4,050,000 Special Warrants on a private placement basis to certain investors resident in the Province of Ontario pursuant to an agency agreement (the "Agency Agreement") dated as of December 5, 1997 between Gordon Capital Corporation and Credifinance Securities Limited (collectively the "Agents") and SAMSys, at a price of $1.00 per Special Warrant. The price of the Special Warrants was determined by negotiation between SAMSys and the Agents. The Special Warrants were sold pursuant to subscription agreements (the "Subscription Agreements") to investors identified by the Agents. The sales were effected pursuant to prospectus and registration exemptions under applicable securities legislation. The distribution of the Common Shares to be issued upon the exercise, or deemed exercise, of the Special Warrants is qualified under this prospectus. The gross proceeds of the issue and sale of the Special Warrants were $4,050,000 and the aggregate fee payable to the Agents in connection with the offering was $283,500. Expenses estimated at $300,000 relating to the issue and sale of the Special Warrants and of this prospectus have been or will be paid out of the proceeds of sale of the Special Warrants. No additional fee will be payable to the Agents in connection with the issue of Common Shares upon the exercise or deemed exercise of the Special Warrants. As additional consideration for the Agents' services, on December 5, 1997 SAMSys issued to the Agents 405,000 agent warrants ("Agent Warrants") which entitle the Agents to acquire the same number of non-assignable compensation options ("Compensation Options"). Each Compensation Option entitles the holder to purchase one Common Share at a price of $1.05 at any time prior to 5:00 p.m. (Toronto time) on December 5, 1999. This prospectus also qualifies for distribution 202,500 of the Compensation Options issuable to the Agents.

The Special Warrants were created and issued under a special warrant indenture (the "Special Warrant Indenture") dated December 5, 1997 between Montreal Trust Company of Canada, as trustee, and SAMSys. The Special Warrants are exercisable at any time before 5:00 p.m. (Toronto time) on the earlier of (the "Expiry Time"): (a) the fifth business day after the date on which the Ontario Securities Commission has issued a receipt for a (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise of the Special Warrants; and (b) December 5, 1998. Any Special Warrants not exercised before the Expiry Time will be deemed to be exercised immediately prior to the Expiry Time without any further action by the holder. If before 5:00 p.m. (Toronto time) on March 5, 1998 a receipt for the (final) prospectus qualifying the distribution of the Common Shares issuable on the exercise of the Special Warrants has not been issued by the Ontario Securities Commission, a holder of Special Warrants shall be entitled to acquire, upon exercise of each Special Warrant, 1.1 Common Shares in lieu of one Common Share, without payment of additional consideration.

The Common Shares issuable upon the exercise of the Special Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States.

Pursuant to the Agency Agreement, SAMSys has agreed that during the period commencing December 5, 1997 and ending on the date which is 180 days following the date on which the Ontario Securities Commission issues a receipt for the (final) prospectus qualifying the distribution of the Common Shares issuable upon the exercise or deemed exercise of the Special Warrants, SAMSys shall not, without the prior written consent of the Agents, such consent not to be unreasonably withheld: (i) reserve, allot, create or issue any Common Shares or Special Shares or other securities convertible or exchangeable into Common Shares or Special Shares (other than pursuant to any options outstanding as at December 5, 1997, including options or warrants granted to officers, directors or employees, whether issued pursuant to SAMSys' Stock Option Plan or otherwise); (ii) agree or become bound to do so; or (iii) publicly announce any intention to do so. The Agents have consented to the issuance of Common Shares which may be issued by the Company to BTG in satisfaction of the advance minimum royalty payments due March 31, 1998. See "Business of the Company - SAMSys Technologies Inc. - Proprietary Rights".

DILUTION

After giving effect to the sale of the Special Warrants and their exercise, the price of $1.00 paid for each Common Share through the purchase and exercise of a Special Warrant exceeds the unaudited consolidated net tangible book value per Common Share as at September 30, 1997 by $0.99, representing dilution of 75%, as indicated in the following table.

Price per Special Warrant		$1.00
Unaudited consolidated net tangible book value as at September 30, 1997	$0.01	
Increase in unaudited consolidated net tangible book value attributable to the sale and exercise of the Special Warrants [(1)]	$0.24	
Unaudited consolidated net tangible book value after giving effect to the sale and exercise of Special Warrants [(2)]		$0.25
Dilution to investors		$0.75
Percentage dilution		75%

(1) After deducting expenses of the sale of the Special Warrants and the Agents' fee, estimated at $0.14 per Common Share.

(2) After giving effect to the issuance of 4,050,000 Common Shares upon the exercise of the Special Warrants, but excluding the Common Shares issuable upon exercise of currently outstanding options and warrants, including the Compensation Options to be issued to the Agents. See "Options and Warrants to Acquire Common Shares".

USE OF PROCEEDS

The net proceeds to SAMSys from the sale of Special Warrants, after deducting the fee payable to the Agents and the estimated expenses of the offering, are estimated to be $3,466,500. SAMSys intends to use net proceeds for marketing and research and development purposes related to the SAMSys FasTrak® system, in respect of which approximately $1,000,000 is expected to be spent during the 1998 fiscal year.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares are listed and posted for trading on the Montreal Exchange (the "ME") under the symbol "SMY". The Common Shares commenced trading on the ME on January 13, 1997. The following table sets forth the high and low sale prices and trading volumes for the Common Shares as reported by the Montreal Exchange for the periods indicated:

1997	High	Low	Volume
First Quarter	$2.73	$1.44	875,700
Second Quarter	2.25	0.90	270,600
Third Quarter	1.00	0.40	140,500
October	1.85	0.35	1,110,400
November	1.70	1.30	458,500
December	1.85	0.80	1,008,400
January	1.10	0.99	87,800
February 1-3	0.99	0.90	12,500

On December 2, 1997, the date on which the price of the Special Warrants was determined, the closing price of the Common Shares on the ME was $1.50 per share.

PRIOR SALES

The only issuance of Common Shares by SAMSys during the 12 months prior to the date hereof occurred on October 24, 1997, when 500,000 Common Shares were issued on the basis of available registration and prospectus exemptions to Patriot Investments Limited in exchange for 629 common shares of Aegis. The Common Shares were issued at an ascribed price of $0.80 per share. See "Business of the Company - Aegis Manufacturing Corporation".

RISK FACTORS

An investment in the Common Shares involves certain risks which should be carefully considered by prospective investors. **The following risk factors, each of which could have a material adverse impact on the Company's business, financial condition and results of operations, should be considered carefully in addition to the other information contained in this prospectus before making an investment in the Common Shares.**

Ability to Achieve Commercialization on a Timely Basis

While the Company has sold a number of ADKs to significant customers and has recently completed field trials of the SAMSys FasTrak® technology, the Company's success will depend, to a great extent, on the Company's ability to achieve commercial sales of products incorporating its RF/ID technology on a timely basis. There can be no assurance that the Company's technology and products based on such technology will achieve commercial acceptance on a timely basis or that, if market acceptance is achieved, the Company will be able to maintain such acceptance for a significant period of time. Failure to obtain commercial sales, or to achieve commercial sales on a timely basis, would have an adverse impact on the Company's financial condition and the Company's ability to sustain its operations.

Limited Operating History

Although the management team of the Company has substantial business experience, the Company has a limited operating history. The Company commenced its pursuit of RF/ID technologies in May, 1994. The Company has not to date generated any commercial sales of its products and has incurred net losses since such time. There can be no assurance that the Company will achieve or sustain profitability. Failure to do so would impact the Company's ability to obtain additional funding or to sustain its operations.

Future Need for Capital and Uncertainty of Additional Financing

The Company may need to raise funds through public or private debt or equity financing in the event that the Company's estimates of capital requirements change, or prove inaccurate, or in order for the Company to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to continue its technological development or take advantage of market opportunities to develop new products or otherwise to respond to competitive pressures or continue to be viable. Such inability could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

Other RF/ID companies, technology companies which have RF/ID divisions and companies engaged in the development of other ADC technologies could develop products which compete with the SAMSys FasTrak® system being commercialized by the Company, or may have developed such competing products of which the Company is unaware. Such companies may be able to develop and adapt new or emerging related technologies and may have greater resources than the Company to devote to the development, marketing and sale of their products. The Company's financial condition could therefore be adversely affected if competition in respect of RF/ID technologies was to increase as the market evolves. In addition, although the Company believes that RF/ID technology will gain increased market acceptance for specific applications, the Company expects to continue to experience competition from other existing and potential ADC technologies in certain applications.

Intellectual Property Risk

The Company has been granted a worldwide, all fields of use, license to the Supertag technology. The license is not exclusive, however, and there can be no assurance that another entity will not acquire rights to the technology or that such entity will not compete with the Company. Furthermore, while the Company intends to apply for patent rights in respect of technology which has been developed by it, there can be no assurance that such patents will be issued or that others will not independently develop similar technologies or duplicate technology licensed or owned by the Company or that the measures taken by the Company to protect its proprietary technology will be adequate to protect against third parties copying or using the Company's technology without authorization, or developing similar technology independently.

The license agreement with BTG in respect of the Supertag technology may be terminated by BTG in the event of the insolvency or winding up of SAMSys, the Company failing to adhere to quality standards or specifications reasonably specified by BTG, a change in control of SAMSys occurring which materially adversely affects BTG's commercial, financial or legal interests or the Company failing to make royalty payments required to be made to BTG pursuant to the terms of the license agreement.

Dependence on Key Personnel

The Company's success will depend upon the continued service of certain members of senior management, particularly Clifford A. Horwitz, SAMSys' Chairman and Chief Executive Officer. The experience and established market relationships of Mr. Horwitz will be a key contributing factor to the Company's success and growth. The loss of Mr. Horwitz could have a material adverse effect on the Company's operations and business prospects.

Dilution

Holders of Special Warrants will experience an immediate and substantial dilution in the consolidated net tangible book value of the Common Shares upon the exercise of Special Warrants. See "Dilution".

Management of Expanding Operations

If the Company achieves commercial sales of its products utilizing the Supertag technology, it will be required to expand its operations rapidly, which will place significant demands on the Company's managerial, operational and financial personnel and systems. There can be no assurance that the Company's systems, procedures, controls and existing facilities will be adequate to support expansion of the Company's operations. The Company's future operating results will substantially depend on the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational, financial control and reporting systems. If the Company is unable to respond to and manage changing business conditions, the quality of the Company's services, its ability to retain key personnel and its results of operations could be materially adversely affected.

New Products and Technological Change

The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. The Company's success will depend upon market acceptance of its products and its ability to enhance its products and to introduce new products and features to meet changing customer requirements. There can be no assurance that the Company will be successful in identifying, developing , manufacturing and marketing new products or enhancing its existing products. The Company's business would be adversely affected if the Company incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies non-competitive or obsolete.

Litigation

SAMSys is a party to litigation described under "Legal Proceedings". In the event that the plaintiff therein is successful in obtaining judgement against the defendants, including SAMSys, SAMSys could become obligated to make payment to the plaintiff in the amount of proven damages and consequent costs ordered by the court.

Aegis Manufacturing Corporation

Aegis has incurred net annual losses in each fiscal period since its inception and its audited financial statements indicate that Aegis had an accumulated deficit of approximately US$2 million as at June 30, 1997. Although Aegis has experienced significant revenue growth since its inception, there can be no assurance that it can continue to generate significant revenue growth, or that any revenue growth that is achieved can be sustained. Further, there can be no assurance that Aegis will achieve or sustain profitability. In addition, Aegis' audited financial statements indicate that as at June 30, 1997, Aegis had accounts payable and accrued liabilities of approximately US$18.1 million, a significant portion of which indebtedness was past due. If Aegis cannot achieve profitability and positive cash flow from operating activities, or Aegis cannot come to satisfactory terms with its trade creditors or obtain such funding as may be required in connection therewith, it may be unable to continue to carry on business as a going concern.

Aegis has a limited operating history. Although Aegis has experienced significant growth, in view of its short operating history and the rapidly changing nature of the markets in which it operates, there can be no assurance of sustained growth or future profitability.

A substantial majority of Aegis' revenues to date have been derived from the sale of its products to one customer. As a result, Aegis is economically dependent upon that customer and Aegis' future success will depend upon its continued good relationship with such customer. An adverse change in the nature of the relationship between Aegis and such customer would have a material adverse affect on Aegis' business, financial condition and results of operations.

SAMSys acquired its interest in Aegis in October, 1997. SAMSys does not have any representatives on the board of directors of Aegis, nor has SAMSys appointed any of the officers of Aegis. Further, SAMSys has not been involved to any material extent in the business, affairs or management of Aegis. Accordingly, SAMSys has had limited access to information in respect of Aegis and its financial results since the time of the acquisition of its interest.

At the time of the acquisition of its interest in Aegis, SAMSys represented to the shareholders of Aegis and to certain of Aegis' trade creditors its intention, based on facts known to SAMSys at that time, to provide Aegis with working capital after the completion of its anticipated private placement financing to be used among other things to repay certain amounts owing to the trade creditors of Aegis. At that time, SAMSys undertook to one of Aegis' trade creditors to repay amounts owing to such creditor on agreed terms, using funds for working capital which SAMSys indicated it intended to provide following the completion of its financing. SAMSys' then intentions were based upon its expectation that a special warrant financing in an aggregate amount of approximately $10 million would be effected by SAMSys in November 1997. In light of the events which have taken place since that time and the completion of the issuance of Special Warrants ultimately in a lesser amount than was originally anticipated, SAMSys does not presently intend to provide Aegis with any working capital. It is SAMSys' present intention to dispose of its interest in Aegis. See "Business of the Company - Aegis Manufacturing Corporation". SAMSys anticipates that as part of any disposition of its interest in Aegis, the party acquiring SAMSys' interest would be required to provide Aegis, directly or indirectly, with working capital to fund all or a portion of its outstanding indebtedness to trade creditors. In addition, as part of any such disposition, SAMSys would seek to be provided with a release from Aegis and its remaining shareholders in respect of any claims against SAMSys, and an indemnity from Aegis and its remaining shareholders in respect of any claims made against SAMSys by third parties, including trade creditors of Aegis. However, in the event that SAMSys is unable to dispose of its interest in Aegis, Aegis is unable to access necessary working capital from other sources, or SAMSys is unable to obtain comprehensive releases and indemnities in connection with the disposition of its interest, third parties may claim that SAMSys should have provided working capital to Aegis. SAMSys does not believe that it will be obligated to provide working capital to Aegis or to repay amounts owing to any trade creditors of Aegis. However, there can be no assurance that SAMSys would be successful in defending any potential claims in this regard.

LEGAL PROCEEDINGS

Except as described below, there are no material legal proceedings to which the Company is a party or in respect of which any of its properties are subject and no such proceedings are known by the Company to be contemplated.

On November 10, 1995, a lawsuit was filed against SAMSys and its former Chief Executive Officer, Bryan E. W. Gransden, by James Hunter (the “Plaintiff”) in the Ontario Court (General Division). The action alleges breach of contract and misrepresentation and claims damages in the amount of US$1,000,000 against SAMSys. The Plaintiff alleges that SAMSys received an advance of US$400,000 from the Plaintiff in February 1992 in exchange for which the Plaintiff was to receive shares and options in the capital of SAMSys. The Plaintiff alleges, among other things, that contrary to the representations made and the agreement entered into, the Company did not use the funds advanced by the Plaintiff for advancing product development relating to a computer network security device which is entirely unrelated to the Supertag technology, but instead used the funds to retire existing debts of the Company and to make direct payments to Mr. Gransden. Further, the Plaintiff alleges that since the product development was never completed, the enhancement in share value could never be realized and that as a consequence of the defendants’ breaches of contract and misrepresentations, the share value of SAMSys depreciated significantly causing a substantial loss to the Plaintiff. SAMSys delivered a Notice of Intent to Defend and a demand for particulars on November 20, 1995. SAMSys does not believe that it has breached any agreement or misrepresented itself to the Plaintiff and rejects the Plaintiff’s claims that he is owed any money. On September 11, 1997, an affidavit was filed by SAMSys in support of a motion for an order to dismiss the Plaintiff’s claim for want of prosecution. As the current management of the Company has no personal knowledge of the Plaintiff’s claim and as no discoveries have yet taken place, the Company is not in a position to assess the likelihood of the success of the action. Mr Gransden is no longer associated with the Company. In the event that the Plaintiff is successful in obtaining judgement against the defendants, including SAMSys, SAMSys could become obligated to make payment to the Plaintiff in the amount of proven damages and consequent costs ordered by the court.

LEGAL MATTERS

Certain legal matters relating to this offering were passed upon by Osler, Hoskin & Harcourt on behalf of the Company, and by Fasken Campbell Godfrey on behalf of the Agents.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Deloitte & Touche, Chartered Accountants , BCE Place, 181 Bay Street, Suite 1400, Toronto, ON M5J 2V1.

The registrar and transfer agent for the Common Shares is Montreal Trust Company of Canada, at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company within two years of the date hereof which may reasonably be regarded as material are the following:

i. the Agency Agreement referred to under “Private Placement and Plan of Distribution”.

ii. the Subscription Agreements referred to under “Private Placement and Plan of Distribution”.

iii. the Special Warrant Indenture referred to under “Private Placement and Plan of Distribution”.

iv. the Escrow Agreement referred to under “Escrow Arrangements”.

v. the Licence Agreement referred to under "Business of the Company - Proprietary Rights".

vi. the share purchase agreement dated October 24, 1997 between SAMSys and Patriot Investments Limited in respect of the purchase by SAMSys of its interest in Aegis. See "Business of the Company - Aegis Manufacturing Corporation".

Copies of the foregoing contracts may be examined at the head office of SAMSys during normal business hours at any time during the course of distribution of the Common Shares and for a period of 30 days thereafter.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the Province of Ontario provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. Such legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by such legislation. The purchaser should refer to any applicable provisions of such legislation for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHTS OF ACTION FOR RESCISSION

In the event that a holder of Special Warrants who acquires Common Shares upon the exercise of the Special Warrant as contemplated by this prospectus, is or becomes entitled under a subscription agreement between such holder and SAMSys or under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid on the acquisition of the Special Warrant. In the event that such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted to the original Special Warrant subscriber as if the permitted assignee were the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant under Section 130 of the *Securities Act* (Ontario) or otherwise at law.

AUDITORS' REPORT

To the Directors
SAMSys Technologies Inc.

We have audited the consolidated balance sheet of SAMSys Technologies Inc. as at September 30, 1997 and 1996 and the consolidated statements of loss and deficit and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
November 14, 1997 (except for Note 14
which is as of December 5, 1997)

SAMSYS TECHNOLOGIES INC.
Consolidated Balance Sheet
September 30, 1997

	1997	1996
ASSETS		
CURRENT		
Cash and term deposits	**$ 229,941**	$ 1,118,542
Accounts receivable	**45,222**	217,600
Due from director (Note 5)	**2,113**	95,955
Inventory (Note 6)	**107,746**	160,191
	385,022	1,592,288
OTHER		
Product development costs (Note 7)	**2,036,582**	1,502,336
Licences and patents	**307,330**	132,193
Equipment (net of accumulated depreciation of $24,397; 1996 - $7,559)	**67,896**	53,073
Goodwill (net of accumulated amortization of $42,500; 1996 - $12,500) (Note 8)	**557,500**	587,500
	$ 3,354,330	$ 3,867,390
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 291,806**	$ 319,448
	291,806	319,448
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
An unlimited number of common and preference shares		
Issued (Note 9)	**4,296,800**	3,796,800
Deficit	**(1,234,276)**	(248,858)
	3,062,524	3,547,942
	$ 3,354,330	$ 3,867,390

SIGNED ON BEHALF OF THE BOARD

.... Paul C. Martin Director

.... Clifford A. Horwitz Director

SAMSYS TECHNOLOGIES INC.
Consolidated Statement of Loss and Deficit
Year ended September 30, 1997

	1997	1996
EXPENSES		
Administration		
Management and directors fees	**$ 354,981**	$ 148,468
Legal and audit	**77,854**	76,129
Accounting and secretarial	**38,555**	51,557
Office and general expense	**252,098**	50,312
Travel and promotion	**170,984**	48,869
Depreciation and amortization	**38,399**	12,500
Financing expense	**2,500**	15,000
Shareholder relations	**26,134**	7,891
Transfer agent and filing fees	**41,834**	6,883
Interest and bank charges	**12,370**	5,592
	1,015,709	423,201
Other (revenue) expenses		
Interest income	**(30,291)**	(9,760)
Loss on sale of marketable securities	**-**	1,140
Proceeds on settlement of legal action	**-**	(165,723)
	(30,291)	(174,343)
LOSS FOR THE YEAR	**985,418**	248,858
DEFICIT, BEGINNING OF YEAR	**248,858**	-
DEFICIT, END OF YEAR	**$ 1,234,276**	$ 248,858
LOSS PER SHARE	**$ (0.09)**	$ (0.01)

SAMSYS TECHNOLOGIES INC.
Consolidated Statement of Changes in Financial Position
Year ended September 30, 1997

	1997	1996
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Loss for the year	**$ (985,418)**	$ (248,858)
Item not affecting cash		
Depreciation and amortization	**46,792**	12,500
	(938,626)	(236,358)
Changes in non-cash working capital items		
Accounts receivable	**172,378**	(216,540)
Due from director	**93,842**	(75,367)
Inventory	**52,445**	(156,521)
Prepaid expenses	**-**	25,000
Organization costs	**-**	698
Accounts payable and accrued liabilities	**(27,642)**	203,146
Due to shareholder	**-**	(16,083)
Bank loan	**-**	(240,000)
	(647,603)	(712,025)
FINANCING		
Issuance of share capital	**500,000**	2,796,800
INVESTING		
Product development costs	**(534,246)**	(582,571)
Net additions to equipment	**(31,615)**	(47,211)
Net assets of Spanex at date of “acquisition” (Note 1)	**-**	(96,800)
Goodwill on acquisition of final 18% of Semaphore	**-**	(600,000)
Additions to licences and patents	**(175,137)**	(132,193)
	(740,998)	(1,458,775)
(DECREASE) INCREASE IN CASH	**(888,601)**	626,000
CASH IN SUBSIDIARY ACQUIRED	**-**	190,547
CASH, BEGINNING OF YEAR	**1,118,542**	301,995
CASH, END OF YEAR	**$ 229,941**	$ 1,118,542

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

1. BUSINESS COMBINATION AND BASIS OF PRESENTATION

Pursuant to a share exchange agreement dated April 25, 1996, SAMSys Technologies Inc. ("the Company") formerly known as Spanex Capital Inc. ("Spanex" or "the Company") issued 11,000,000 common shares for an additional 36% of the common shares of Semaphore Asset Management Systems Inc. ("Semaphore"). Prior to this transaction the Company owned 46% of Semaphore. The remaining 18% was acquired subsequently.

The transaction resulted in the former shareholders of Semaphore as a group controlling Spanex, essentially effecting what is commonly referred to as a reverse takeover of Spanex. Accordingly, the exchange of shares has been treated for accounting purposes as an acquisition by Semaphore of the assets and business of Spanex.

Reverse takeover accounting provides that consolidated financial statements be prepared reflecting the continuation of the legal subsidiary, Semaphore, as the parent company. Its net assets are included in the balance sheet at their book values and those of Spanex at their fair market value on the date of "acquisition". The results of operations of the Company include the operations of Spanex only since the date of its "acquisition".

The purchase consideration for the 11,000,000 shares was based upon the then fair market value of the net assets of Spanex which was $96,800. This amount has been allocated to working capital.

2. DEVELOPMENT STAGE COMPANY

Semaphore Asset Management Systems Inc. was incorporated on May 30, 1994. The Company intends to develop, produce and market portable wireless devices, with immediate emphasis on Radio Frequency Identification systems based on the technologies licenced from British Technologies Group. Activities to date have involved primarily product research and development, marketing of systems to customers for the performance of field trials, establishing facilities, and hiring employees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with generally acceptable accounting principles:

Consolidation

The consolidated financial statements as at September 30, 1997 include the accounts of the Company, its wholly-owned subsidiary, Semaphore Asset Management Systems Inc. and its wholly-owned United States subsidiary, SAMSys Inc.

Product development costs

The costs relating to licence fees, patent fees and development of the SAMSys Fastrak® technology have been deferred. The costs will be amortized over a three year period, commencing with commercial production of the technology. Revenues and government grants are recorded as a reduction of the deferred expenditures.

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Computer and office equipment are stated at cost, less accumulated depreciation calculated annually at the rate of 30% and 20% respectively on the declining-balance basis.

Translation of foreign currencies

Monetary current assets and current liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the period end. Non-monetary items are translated at historical exchange rates. Transactions during a period denominated in foreign currencies are translated into Canadian dollars using the exchange rate at the time of the transaction. Gains or losses on translation of foreign currencies are changed to operations during the period.

Goodwill

Goodwill is recorded at cost less accumulated amortization is calculated on a straight-line basis over twenty years.

On an ongoing basis, management reviews the valuation and amortization of goodwill, including any events and circumstances which may have impaired the fair value. The amount of goodwill impairment, if any, is determined by assessing recoverability based on expected discounted future cash flows using a discount rate reflecting the Company's cost of capital.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates.

4. BRITISH TECHNOLOGIES GROUP AGREEMENT

Pursuant to an agreement made March 3, 1995, British Technologies Group ("BTG") granted Semaphore a non-exclusive and non-transferable licence with related know-how to commercialize the Supertag technology (Tags that are miniature transponders that receive, store and transmit data). Semaphore agreed to pay BTG an initial licence fee of $150,000 of which $50,000 has been paid, the balance payable by way of a 10% premium on the royalty payments subject to a $25,000 credit on account of a prior option payment made by Semaphore to BTG. If the agreement is terminated prior to BTG receiving payment in full, the remaining balance becomes payable forthwith.

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

4. BRITISH TECHNOLOGIES GROUP AGREEMENT (continued)

Royalties, based on the Net Sales Price, are to be paid to BTG quarterly in respect to the Licenced Products used, sold or otherwise disposed of as follows:

On the first U.S. $10,000,000	- 3%
On the next U.S. $40,000,000	- 2.5%
On the next U.S. $100,000,000	- 2%
On the next U.S. $150,000,000	- 1.5%

The above royalties are to be reduced by 50% in respect of Licenced Product made and sold in countries where there is no BTG patent coverage. Minimum royalty payments are required as follows:

Advance Minimum Royalty	Due Date
U.S. $ 125,000	March 31, 1997
U.S. $ 250,000	March 31, 1998 and thereafter

The Company is currently renegotiating the minimum royalty payments mentioned above.

5. DUE FROM DIRECTOR

The loan bears interest at rates which are prescribed by The Income Tax Act (Canada) from time to time and is due December 31, 1996.

6. INVENTORY

	1997	1996
Inventory comprises		
Readers	**$ 54,896**	$ 83,350
Tags	**52,850**	76,841
	$ 107,746	$ 160,191

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

7. PRODUCT DEVELOPMENT COSTS

	1997	1996
Balance, beginning of year	**$ 1,502,336**	$ 919,765
Development costs	**745,934**	840,684
Less		
Income tax credits on research and development (net)	**(113,410)**	-
Grants received	**(13,833)**	(118,246)
Sale of test items	**(84,445)**	(139,867)
	647,656	(582,571)
Balance, end of year	**$ 2,036,582**	$ 1,502,336

8. GOODWILL

In 1996 the Company acquired the remaining 18% of Semaphore through a share exchange whereby the Company issued 1,200,000 common shares at ascribed value of $0.80 per share for aggregate consideration of $960,000. The acquisition has been accounted for using the purchase method and is summarized as follows:

Net Assets	**$ 360,000**
Goodwill	**600,000**
Purchase Price	**$ 960,000**

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

9. SHARE CAPITAL

	Number of Shares	Value
Balance October 1, 1995	**12,736,250**	**$ 2,523,953**
Issued during year		
For cash prior to takeover	**3,323,460**	**1,688,750**
For 36% of Semaphore	**11,000,000**	**96,800**
Less: 18% minority interest in Semaphore	**-**	**(360,000)**
Write off of Spanex deficit at date of "acquisition"	**-**	**(2,212,703)**
For remaining 18% of Semaphore	**1,200,000**	**960,000**
For cash subsequent to acquisition	**2,200,000**	**1,100,000**
Balance, September 30, 1996	**30,459,710**	**3,796,800**
Shares issued for cash	**1,000,000**	**500,000**
Consolidation of shares on a 3:1 basis	**(20,973,200)**	**-**
Balance, September 30, 1997	**10,486,510**	**$ 4,296,800**

As described in Note 1, for accounting purposes Semaphore was deemed to be the acquiror of the Company although, legally the Company is the parent company and reporting entity. Accordingly, the above table reflects the legal number of outstanding shares of the Company but the book value associated with them for accounting purposes is based upon Semaphore. The dollar amount of the legal stated capital of the Company therefore differs from the amounts reflected above.

On April 24, 1997, the outstanding shares were consolidated on a 3:1 basis.

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

9. CAPITAL STOCK (continued)

Options

The Company has the following options outstanding:

Number of Options	Price	Expiry Date
166,667	$1.50	September 30, 1999
583,333	$1.95	August 31, 2000
200,000	$1.50	August 31, 2000
38,333	$1.50	July 15, 2001
16,667	$1.59	February 1, 2002
100,000	$1.50	April 23, 2002
38,333	$0.65	April 24, 2002
25,000	$0.85	July 6, 2002
120,000	$0.65	The expiry date is the earlier of (a) the last day of the 36th month following the date on which the holder ceases to be a senior officer of the Company or its affiliates, and (b) August 24, 2007.

Warrants

The company has the following warrants outstanding:

Series	Number	Exercise Price	Expiry Date
"A"	200,000	$ 1.50	December 31, 1997
"B"	183,333	$ 1.50	February 28, 1999
"C"	441,667	$ 1.85	February 28, 1999
"D"	246,153	$ 2.40	March 31, 1999

SAMSYS TECHNOLOGIES INC.
Notes to the Financial Statements
September 30, 1997

10. INCOME TAXES

The Company has non-capital losses of $1,630,948 available to apply against future taxable income. If not utilized, these losses will expire as follows:

1998	**$ 49,943**
1999	**9,938**
2000	**49,795**
2001	**99,718**
2002	**187,279**
2003	**248,858**
2004	**985,417**
	$ 1,630,948

The potential tax benefit relating to these losses has not been reflected in these financial statements.

11. FINANCIAL INSTRUMENTS

The fair values of the Company's monetary assets and liabilities are equivalent to their carrying values because of the short-term maturities of those instruments.

Foreign currency risk

Foreign currency risk relates to investments and transactions denominated in foreign currencies, which fluctuate due to changes in foreign exchange rates. The Company uses forward exchange contracts to mitigate its foreign currency risk. As at the year-end, the Company did not have any material forward exchange contracts outstanding.

12. CONTINGENCY

On November 10, 1995, a lawsuit was filed against the Company by James Hunter (the "Plaintiff") in the Ontario Court (General Division). The action alleges breach of contract and misrepresentation and claims damages in the amount of U.S.$1,000,000 against Samsys.

The Plaintiff alleges that the Company (then named Spanex Capital Inc.) received an advance of U.S.$400,000 from the Plaintiff in February of 1992. The Plaintiff further alleges that the financing was arranged by co-defendant Bryan Gransden through the mortgaging of the Plaintiff's condominium in Colorado. The Plaintiff alleges that in exchange, the Plaintiff was to receive shares and options in the capital of the Company. The Plaintiff alleges, among other things, that contrary to the representations made and the agreement entered into, the Company did not use the funds advanced by the Plaintiff for advancing product development but instead used the funds to pay off existing debts of the Company and to make direct payments to co-defendant Bryan Gransden. Further, the Plaintiff alleges that since the product development was never completed, the enhancement in share value could never be realized and that as a consequence of the defendant's breaches of contract and misrepresentations, the share value of Samsys has depreciated significantly causing a substantial loss to the Plaintiff. An additional claim was made that the Plaintiff acted as a promoter of the Company and was never remunerated for his services.

The Company delivered a Notice of Intent to Defend and a demand for particulars on November 20, 1995. The Company does not believe that it has breached any agreement or misrepresented itself to the Plaintiff and rejects the Plaintiff's claims that he is owed any money. On September 11, 1997, an affidavit was filed by the Company in support of a motion for an order to dismiss the Plaintiff's claim for want of prosecution. As the current management of the Company has no personal knowledge of the Plaintiff's claim and as no discoveries have yet taken place, the Company is not in a position to assess the likelihood of the success of the action. The co-defendant, Bryan Gransden, is no longer associated with Samsys.

13. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the presentation adopted in the current year.

14. SUBSEQUENT EVENT

On October 24, 1997 the Company acquired 629 shares of Aegis Manufacturing Corporation, representing 63% of its total share capital. The purchase price was satisfied through the issuance of 500,000 new common shares at $0.80 per share.

On December 5, 1997, the Company completed a Special Warrant issue arranged by Gordon Capital Corporation and Credifinance Securities Ltd., of Toronto. The Company issued 4,050,000 Special Warrants for gross proceeds of $4,050,000. Each Special Warrant entitles the holder to exchange each Special Warrant for one common share in the Company.

GLOSSARY

active tag: A tag which maintains an independent power source, such as a battery, used to generate a radio signal.

ADC: The acronym for Automatic Data Collection, a system of retrieving or transferring data from one location to another which does not involve reading or writing.

ADK: The acronym for Application Development Kit, a package containing a reader, tags, software, manuals and training which has in the past been provided by the Company to potential users of the SAMSys Fastrak® technology in order to permit the Company and the user to analyze and define the specific requirements of an application.

batch reading capability: The ability of an ADC system to capture and serially process data from several independent sources, such as tags, which communicate their data simultaneously.

closed loop shipping system: A self contained system which typically contains one integrated data repository which can decipher or decode encrypted tag data.

Electronic Article Surveillance: A system, such as that used by retailers at store exits to combat shoplifting, used to detect the location or relocation of an article.

ISM bands: A range or band of radio frequencies designated specifically for special industrial, scientific and medical purposes.

logistics management: The system or process of monitoring and managing the movement of goods through the manufacturing, warehousing, distribution and delivery process.

pallets: A flat bed constructed of wood or plastic upon which items are stacked or packaged to facilitate delivery.

passive tag: A tag which does not use an independent power source, such as a battery, to generate the radio signal used to communicate its data.

RF/ID: The acronym for Radio Frequency Identification which defines any technology using radio to communicate or transfer data between sites.

read/write capability: Data is stored in an electronic memory on a tag and is typically sent to a reader or interrogator on command from the reader. This process of data transfer from the tag to the reader is referred to as a "read". If data is sent from the reader to the tag to replace, change or compliment stored data, the process is referred to as a "write". The ability of a system to perform both functions is called read/write capability.

reader: The device used to collect, store and/or process the data in an ADC system. The reader, or interrogator, usually initiates the data transfer process by commanding the tag to send its data.

receiver: A device, such as an AM/FM radio, used to detect radio waves and to demodulate information contained therein.

Supertag: The RF/ID core communications protocol licensed by the Company from British Technology Group Limited.

supply chain engineering: The process of adapting a system or integrating several systems to manage the supply chain logistics process from manufacturing through delivery.

systems integration: The process of combining or integrating two or more hardware and/or software products to provide a customized system for a specific application.

tags: A device containing an electronic memory which is typically attached to the item it is intended to report on or manage.

CERTIFICATE OF THE COMPANY

Dated: February 4, 1998

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

(signed) CLIFFORD A. HORWITZ Chairman and Chief Executive Officer	(signed) PAUL C. MARTIN President and Chief Operating Officer (as Chief Financial Officer)

On behalf of the Board of Directors

(signed) THOMAS ZENDER Director	(signed) JEFF BERKOW Director

CERTIFICATE OF THE AGENTS

Dated: February 4, 1998

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

GORDON CAPITAL CORPORATION

By: (signed) David Morrison

CREDIFINANCE SECURITIES LIMITED

By: (signed) Georges Benarroch

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than five percent in the capital of:

Gordon Capital Corporation:	J. R. Connacher, Pacific Century GC Holdings Inc. and John Warwick.
Credifinance Securities Limited:	a wholly-owned subsidiary of InterUnion Financial Corporation.