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 purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, 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 November 24, 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. The securities offered hereby 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 or to U.S. persons.

New Issue

SIRIT TECHNOLOGIES INC.

$9,600,000

12,600,000 Common Shares

This prospectus is being filed to qualify the distribution of 12,600,000 common shares (the "Common Shares") in the capital of SIRIT Technologies Inc. (the "Company") which will be issued, without additional consideration, upon the exercise of 6,000,000 previously issued Class B special warrants of the Company (the "Class B Special Warrants") and 6,000,000 previously issued Class C special warrants of the Company (the "Class C Special Warrants"). The Class B Special Warrants were issued and sold at a price of $0.60 in two tranches. First, 3,430,000 Class B Special Warrants were issued on October 10, 1997 and second, 2,570,000 Class B Special Warrants were issued on January 6, 1998. The Class C Special Warrants were issued and sold at a price of $1.00 on January 9, 1998.

The outstanding Common Shares are quoted for trading on the Canadian Dealing Network Inc. ("CDN"). On November 23, 1998, the closing price of the Common Shares on CDN was $0.35. See "Price Range and Trading Volume". The price of the Class B Special Warrants and the Class C Special Warrants (collectively, the "Special Warrants") was determined by negotiation between the Company and GTL Securities Inc. (the "Agent").

	Price	Agent's Commission(1)	Net Proceeds to the Company(2)
Per Class B Special Warrant..............	$0.60	$0.03	$0.57
Per Class C Special Warrant..............	$1.00	$0.05	$0.95
Total Offering	**$9,600,000**	**$480,000**	**$9,120,000**

Notes:

(1) No additional fee will be payable to the Agent in connection with the issuance of the Common Shares upon the exercise of the Special Warrants.

(2) Before deducting the expenses of the offerings estimated at $100,000, which are payable by the Company out of its general funds.

Assuming the issuance of 12,600,000 Common Shares upon the exercise of the Special Warrants, the effective price paid for each Common Share through the purchase of a Class B Special Warrant and a Class C Special Warrant exceeds the consolidated net tangible book value attributable to each Common Share as at August 31, 1998, by $0.50, and $0.74, respectively, representing a dilution factor of 83.3% and 74.0%, respectively. See "Dilution".

An investment in the securities qualified hereunder should be considered speculative and involves certain risk factors. See "Risk Factors" for a discussion of certain matters which should be taken into consideration in connection with an investment in the securities being qualified hereunder.

Definitive certificates evidencing the Common Shares issuable upon the exercise of the Special Warrants will be available for delivery upon the exercise of the Special Warrants.

Certain legal matters relating to the distribution of the Common Shares upon the exercise of the Special Warrants will be passed upon by Cassels Brock & Blackwell on behalf of the Company.

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Unless the context otherwise requires, references in this Prospectus to the “Company” include SIRIT Technologies Inc. and its subsidiaries. Certain terms used in this Prospectus are defined in the Glossary.

All references to $ or dollars in this Prospectus are references to Canadian dollars unless otherwise specified.

GLOSSARY

In this Prospectus, unless the context otherwise requires:

"Agent" means GTL Securities Inc.

"CDN" means Canadian Dealing Network Inc.

"Class B Expiry Time" means 5:00 (Toronto time) on the earlier of: (i) the day which is six business days after a final receipt is issued by the Ontario Securities Commission for this prospectus, and (ii) April 10, 1999.

"Class B Special Warrants" means the 3,430,000 Class B Special Warrants of the Company issued and sold on October 10, 1997 and the 2,570,000 Class B Special Warrants of the Company issued and sold on January 6, 1998, each entitling the holder to receive, upon exercise, without payment of additional consideration, one Common Share.

"Class C Expiry Time" means 5:00 (Toronto time) on the earlier of: (i) the day which is six business days after a final receipt is issued by the Ontario Securities Commission for this prospectus, and (ii) January 9, 1999.

"Class C Special Warrants" means the 6,000,000 Special Warrants of the Company issued on January 9, 1998, each entitling the holder to receive, upon exercise, without payment of additional consideration, 1.1 Common Shares.

"Common Shares" means the common shares in the capital of the Company.

"Company" means SIRIT Technologies Inc.

"ETTM Systems" means electronic toll and traffic management systems.

"MFS" means MFS Network Technologies, Inc.

"Special Warrants" means the Class B Special Warrants and the Class C Special Warrants, respectively.

"TI" means Texas Instruments Incorporated.

"TIRIS" means TI's line of radio frequency identification products.

PROSPECTUS SUMMARY

The following information is a summary only and is qualified by the more detailed information and the consolidated financial statements and notes thereto contained elsewhere in this Prospectus.

The Company

SIRIT Technologies Inc. (the "Company") manufactures products and supplies systems used for electronic toll collection, traffic management and radio frequency identification.

In the electronic toll collection and traffic management market, the Company manufactures hardware products used in electronic toll and traffic management systems ("ETTM Systems"), including high frequency transponders, antennae and readers. High frequency transponders are stand-alone, pocket-sized devices which are mounted on vehicles and the readers and antennae work together to communicate with vehicle-mounted transponders and enable toll agencies to electronically collect tolls while eliminating the need for drivers to pay with cash or tokens. Antennae receive account information from the high frequency transponders and transmit this information to a reader which decodes the information received from transponders and transmits the information to a computer. These products are sold by the Company, on a world-wide basis, to MFS Network Technologies Inc. ("MFS"), a dominant participant in the United States market for the supply of ETTM Systems.

ETTM Systems utilize a range of specialized technologies and applications in addition to the products which are manufactured and sold by the Company for electronic toll collection and traffic management applications. These include extensive use of digitized video, optical character recognition and traffic sensors placed along roadways to provide road operators and law enforcement officials with information which can be used by them to reduce congestion and improve road safety conditions. In Canada, the Company is the representative of ETTM systems supplied by MFS, not only to new toll roads but also in the replacement and upgrading of existing toll facilities.

In the radio frequency identification market, the Company manufactures low frequency products such as antennae and readers, which are used in conjunction with a low frequency transponder manufactured by Texas Instruments Incorporated ("TI"). The Company purchases the low frequency transponders from TI and supplies a combination of products for use in three distinct radio frequency identification market segments, namely, hands free parking access, factory asset tracking and fuel and fleet management.

The Offering

Offering: 12,600,000 Common Shares issuable upon the exercise of the 12,000,000 previously issued Special Warrants.

Class B Special Warrants: 6,000,000 Special Warrants were issued and sold by the Company at a price of $0.60 per Class B Special Warrant. Each Class B Special Warrant, upon exercise, will entitle the holder to receive one Common Share, without further consideration. The Special Warrants may be exercised at any time on or before 5:00 p.m. (Toronto time) on the earlier of (the "Class B Expiry Time"): (i) the day which is six business days after a final receipt is issued by the Ontario Securities Commission for this prospectus; and (ii) April 10, 1999. Class B Special Warrants which have not been exercised by the Class B Expiry Time will be deemed to be exercised immediately prior thereto without any further action on the part of the holders. See "Private Placement and Plan of Distribution".

Class C Special Warrants: 6,000,000 Class C Special Warrants were issued and sold by the Company at a price of $1.00 per Class C Special Warrant. Each Class C Special Warrant, upon exercise, will entitle the holder to receive one Common Share, without further consideration. The Class C Special Warrants may be exercised at any time on or before 5:00 p.m. (Toronto time) on the earlier of (the "Class C Expiry Time"): (i) the date which is six business days after a final receipt is issued by the Ontario Securities Commission for this prospectus; and (ii) January 9, 1999. Class C Special Warrants which have not been exercised by the Class C Expiry Time will be deemed to be exercised immediately prior thereto without any further action on the part of the holders. See "Private Placement and Plan of Distribution".

Dilution Penalty: The Class C Special Warrants provided for the issuance of 1.1 Common Shares in lieu of one Common Share upon the exercise of each Class C Special Warrant in the event that a receipt for the (final) prospectus qualifying the distribution of the Common Shares issuable upon exercise of the Class C Special Warrants was not issued by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on May 31, 1998. The Company did not file and obtain a receipt for the (final) prospectus qualifying the distribution of the Class C Special Warrants prior to May 31, 1998, and, as a result, an aggregate of 6,600,000 Common Shares will be issued upon exercise of the outstanding Class C Special Warrants.

Use of Proceeds: The net proceeds of the offerings after deducting the Agent's commission have been and will be used as to approximately: (i) $6,000,000 for the acquisition of technology and other assets; and (ii) the balance of $3,120,000 for future acquisition activity and for working capital purposes. See "Use of Proceeds".

Dividend Policy: The Company has no fixed dividend policy and has not paid dividends in the past five years, nor does it have any present intention of paying dividends. The Company expects that future earnings will be reinvested in the growth of the Company's business. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deems relevant.

Risk Factors: An investment in the Common Shares is subject to a number of risk factors. The Company is dependent on the market growth for radio communications identification and tracking systems. The Company's future success depends in part upon the successful introduction and acceptance of its radio frequency identification products. Substantially all of the Company's revenues are currently derived from a limited number of customers, products and services. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business. The success of the Company is largely dependent on the performance of its key employees. There is no assurance that the Company's means in protecting its proprietary rights will be adequate or that competitors will not independently develop similar technology, the effect of either of which may be materially adverse to the Company's business. There can be no assurance that third parties will not claim that the Company's products infringe the proprietary rights of such third parties. The Company relies on certain proprietary technology that it licences from third parties and there can be no assurance that these third party licences will continue to be available to the Company on reasonable terms. There can be no assurance that the Company will establish a positive cash flow from operations in future periods. Fluctuations in the exchange rate between the United States dollar, other currencies and the Canadian dollar may have a material adverse effect on the Company's results of operations and financial condition. See "Risk Factors".

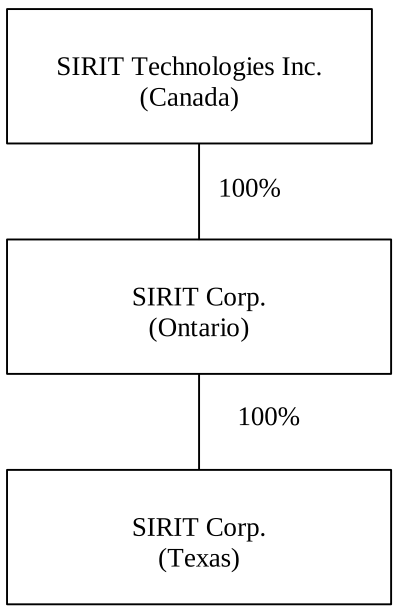
THE COMPANY

General

The Company was formed under the *Canada Business Corporations Act* on December 23, 1993 as a result of the amalgamation of 2947749 Canada Inc. and Matt Berry Inc. The registered office of the Company is located at 200 King Street West, Suite 2004, Toronto, Ontario, M5H 3T4 and the principal office of the Company is located at 250 Shields Court, Unit 12, Markham, Ontario, L3R 9W7.

Corporate Structure

The Company's business is carried on through two operating subsidiaries, its wholly owned subsidiary, SIRIT Corp. (Ontario) and its indirect wholly owned subsidiary SIRIT Corp. (Texas). The following chart sets forth the corporate structure of the Company and its operating subsidiaries (including their jurisdiction of incorporation):



SIRIT Corp. (Ontario) was incorporated under the laws of the province of Ontario on October 28, 1993 and SIRIT Corp. (Texas) was incorporated under the laws of the state of Texas on June 6, 1994. SIRIT Corp. (Ontario) is the Company's operating subsidiary and designs, manufactures, sells and supports the Company's products excluding the highway systems division products. SIRIT Corp. (Texas) was originally established to manufacture and support the Company's products in the United States. These functions were moved to SIRIT Corp. (Ontario) in fiscal 1997. With the purchase of technology and other assets for the highway systems division, SIRIT Corp. (Texas) designs, manufactures, sells and supports the products for this highway systems division on a worldwide basis.

BUSINESS OF THE COMPANY

General

SIRIT Technologies Inc. (the "Company") manufactures products and supplies systems used for electronic toll collection, traffic management and radio frequency identification.

Electronic Toll Collection and Traffic Management

In the electronic toll collection and traffic management market, the Company manufactures hardware products used in electronic toll and traffic management systems ("ETTM Systems"), including high frequency transponders, antennae and readers. In April of 1998, the Company established a highway systems division (the "Highway Systems Division") to manufacture these products for use within ETTM Systems. Assets for the Highway Systems Division were purchased from Texas Instruments Incorporated ("TI") pursuant to an asset purchase agreement dated December 31, 1997 (the "Asset Purchase Agreement"). Under the terms of the Asset Purchase Agreement, the Company purchased capital equipment, technology, inventory, accounts receivable, contracts and permits from TI relating to the business of developing, customizing, testing and managing the manufacturing of the equipment and processes related to the Highway Systems Division. The Company also licensed from TI certain intellectual property including patents, copyrights, know-how and trade secrets used in the operation of the Highway Systems Division. This licence was granted on a non-exclusive, non-transferable, worldwide basis and included a five year TI non-competition agreement. Pursuant to the non-competition agreement, TI agreed not to make, have made, use, sell, distribute or import certain products and/or services that relate to the products manufactured by the Company's Highway Systems Division.

High frequency transponders are stand-alone, pocket-sized devices which are mounted on vehicles and coded with a unique identification number for the vehicle. Transponders can be encrypted to prevent unauthorized access and can include tamper detection to detect when the transponder has been removed from its permanent mounting. The readers and antennae work together to communicate with the vehicle-mounted transponders and enable toll agencies to electronically collect tolls while eliminating the need for drivers to pay with cash or tokens. Antennae which are typically mounted above the roadway, receive account information from the high frequency transponders and transmit such information to a reader which decodes the information received from the transponders and transmit the information to a computer for account validation and transaction processing. The transponder can be read and written to by the reader with an accuracy level of 99.99% at vehicle speeds exceeding 100 miles per hour, and the reader operation is unaffected by mobile phones, radios or cellular devices. The operator of the reader can then store transponder information to an external system for offline processing and statistical gathering.

These products are sold by the Company, on a world-wide basis, to MFS Network Technologies Inc. ("MFS"), a dominant participant in the United States market for the supply of

ETTM Systems. MFS primarily and often exclusively uses the Company's products within its ETTM Systems.

A recent study by Transport Technology Publishing on electronic toll collection emphasizes the steep growth path that electronic toll collection is experiencing worldwide. The 8.6 million transponders currently estimated to be in use are expected to rise to just over 30 million in the next five years and 50 million by the end of the year 2007. The Company's Highway Systems Division is focused solely on the manufacturing of products for this market and the development of new electronic toll collection products to ensure increased market share.

In addition to manufacturing products used within ETTM Systems, the Company also supplies ETTM Systems in Canada. The Company is the Canadian representative of ETTM Systems supplied by MFS, not only to new toll roads but also in the replacement and upgrading of existing toll facilities.

ETTM Systems utilize a range of specialized technologies and applications in addition to the products which are manufactured and sold by the Company for electronic toll collection and traffic management applications. These include extensive use of digitized video, optical character recognition and traffic sensors placed along roadways to provide road operators and law enforcement officials with information which can be used by them to reduce congestion and improve road safety conditions.

By electronically identifying and classifying vehicles at up to highway speed, deducting tolls from pre-paid user accounts and automatically identifying violators via video image capture, ETTM Systems allow traffic to pass unimpeded, thereby minimizing congestion and pollution. In addition, accounting applications developed as part of these systems enable toll collection agencies to reduce operating and accounting costs while providing enhanced accountability and auditing capabilities.

The Company installed the first phase of an ETTM System for the Saint John Harbour Bridge Authority in New Brunswick in July 1995 and was selected to supply the second phase to the Saint John Harbour Bridge Authority in August 1997. The second phase includes an electronic toll collection sub-system to complete the tolling system previously supplied by the Company. The Saint John Harbour Bridge has nine collection points, including four manual and five automatic lanes. In addition, the Company was awarded a contract in April 1997 to supply an ETTM System for the Highway 104 Cobequid Pass Realignment in Nova Scotia (a public/private partnership between Atlantic Highways Corporation and the Province of Nova Scotia). The Highway 104 by-pass will have six collection points, including four manual and two automatic lanes. In November, 1996, the Company was also awarded a contract to supply a new ETTM System for the Halifax-Dartmouth Bridge Commission, which has 24 collection points, including eight manual and 16 automatic lanes.

In each of these installations, the Company was awarded the contract for the design, development and installation of an electronic toll collection system. The Company installed ETTM Systems supplied by MFS at each collection point, which included toll system software and the associated hardware including coin collection systems for the Halifax and Saint John projects. The combined value of these contracts in terms of revenue was $7.0 million.

Management of the Company is of the view that tolling systems increasingly are being considered by all levels of government as a viable method of revenue gathering. The Company believes it is well positioned for this market growth.

Radio Frequency Identification

In the radio frequency identification market, the Company manufactures low frequency products such as antennae and readers, which are used in conjunction with a low frequency transponder manufactured by TI. The Company purchases the low frequency transponders from TI and supplies a combination of products for use in three distinct radio frequency identification market segments, namely, hands free parking access, factory asset tracking and fuel and fleet management.

In the radio frequency identification market, the low frequency transponders are attached to objects that need to be identified or tracked. The transponders come in a wide variety of designs suited to the application. Read only transponders only allow information to be read from the transponder and can be used to track a part or to identify objects. Once identified, a computer can instruct a machine to perform a manufacturing process on the object.

Read/write systems can read and change or add information to the transponder as they pass. In a read/write system, the transponder associated with the inventory asset would identify itself and the machine would perform specific functions associated with that asset. After the work is completed, the machine could write its actual performance to the transponder and build a "history" as the asset moves through various production processes. This has the effect of relieving the memory and processing duties of the central controllers or host computers and the information stays with the part until changed. This eliminates duplicating work or missing a process step.

According to the Venture Development Corporation of Massachusetts, the radio frequency identification worldwide market is expected to grow from over US$350 million in annual sales in 1997 to nearly US$800 million by the year 2000, equating to an annual compound growth rate of 25% to 30% for the overall market. The Company's strategy is to capitalize on the radio frequency identification market by focusing on specific niche markets and maximizing revenue by building a distribution channel through leading suppliers in existing markets and providing them with complimentary products to bundle with existing products.

The Company focuses on three key market segments: hands free parking access systems, factory asset tracking systems and fuel and fleet management systems.

Hands Free Parking Access Systems

In the hands free parking access market, the Company manufactures low frequency products, such as readers and antennae, which together with the low frequency transponder manufactured by TI, create a system which allows users the convenience, safety and prestige not available with other parking access systems. The Hands Free system is comprised of a transponder mounted in the vehicle, an antenna to charge and read the transponder and a reader to convert the data for processing by a computer. Each transponder has a unique identifying code that is read by the antenna once the transponder enters into the read zone (approximately six feet). This identifying code is then transmitted through the reader to a computer where it is checked against a user database. If the identifying code is valid (e.g. the patron has a fully paid account or the transponder is not registered as lost or stolen), then the gate is raised and the patron can proceed into the parking facility. The antenna and reader are designed and manufactured by the Company specifically for this market. The Company also manufactures a stand-alone parking product which stores information from valid transponders in the reader rather than a remote computer. This product is intended for use by parking facilities such as universities and apartment buildings which require access control only and not full accounting systems as would be required by monthly paid parking facilities.

Over the last three years, the Company has developed a strong marketing channel for its Hands Free parking products. The Company purchases the low frequency transponder from TI and sells the transponder and the antennae and reader that the Company manufactures to over 80 resellers. The Company’s resellers integrate these products with a software system and sell directly to parking access facilities. These resellers have market coverage in North and South America, Europe and the Pacific Rim countries.

The Hands Free parking access systems provide security, control and accountability as unauthorized vehicles cannot gain access to the premises. In addition, the system provides a safe method of access as it eliminates the need for users to roll down the vehicle window to gain access. The Hands Free parking access system also avoids congestion during peak hours and is virtually unaffected by rain, snow, fog and temperature.

Factory Asset Tracking Systems

In the factory asset tracking market, inventory items such as pallets, silicon wafer cassettes and computer media cassettes (e.g. hard disk drives) are identified. The Company provides products and services specifically for high technology manufacturing operations such as silicon wafer production and computer chip manufacturing. The Company’s products are specifically designed to work under the hostile conditions of clean room environments (e.g. high temperatures, acid and water baths). At the core of the system is the battery-free, low frequency transponder from TI which is attached to, or embedded in, the object to be identified. As compared to traditional bar code identification, the transponders have greater flexibility in placement on the assets and offer the significant benefit of allowing update information to be recorded in the transponder in order to build a history to the asset being tracked. In addition, the products allow manpower to be allocated to main production rather than administrative tracking tasks.

In the factory asset tracking system, the reader sends an energy burst to the transponder through the antenna, which charges the transponder in milliseconds. The transponder then transmits its data to the reader via the antenna. The data can be added to, overwritten or locked at any stage of the manufacturing process. The reader then sends the data to a host computer for processing.

The factory asset tracking system does not require a line of sight between the transponder and the antenna and is impervious to harsh environmental conditions including water and acid baths. In addition, secure data transmission eliminates potential operator errors or the potential for product mixes, resulting in improved efficiencies and cost reductions.

Industry sources claim that 30% of silicon wafer fabrication facilities worldwide will implement factory automation systems within the next two to five years. One of the Company's main customers, MEMC Electronics Materials Inc. ("MEMC"), is a world leader in the silicon wafers used in production chips. In fiscal 1997, MEMC purchased over $650,000 of products and services from the Company for installations in both the United States and in Taiwan.

Fuel and Fleet Management Systems

In the fuel and fleet management market, the Company's products are being used to streamline the process of dispensing fuel for vehicles. The Company's products provide a wireless method of detecting a valid vehicle for refueling. The system limits the fueling operation to authorized vehicles and is able to restrict the type and volume of fuel dispensed at any one time. In addition to providing a wireless method of detecting a valid vehicle for refueling, an enhancement to the basic technology provides users with additional management controls. The system is also capable of automatically processing vehicle usage information into maintenance scheduling systems. The radio frequency devices consist of transponders, on-board computers and vehicle data modules which eliminate much of the human element in fueling as they accurately and automatically record all aspects of each fueling.

The Company acts as the exclusive re-seller of automated fuel management systems ("Fuel Management Systems") manufactured by National Business Control Systems ("NBCS") of Austin, Texas. The Company's products are components of the Fuel Management System which provides a full function fuel dispensing control system. As the driver pulls in, the vehicle is automatically identified via a radio signal between an in-ground antenna and a Vehicle Data Module ("VDM"). A unique code number is transmitted and once it correctly identifies and matches the vehicle with the information in the computer, the system authorizes the fuel pumps to turn on, without any action on the part of the driver and without the use of conventional keys or tags. At the same time, the VDM can automatically transmit information such as the vehicle's odometer and fuel and engine time readings to the host computer to be used by applications such as preventative maintenance programs.

The Company 's strategy has been to sell fuel management systems directly to the end user throughout North America. This includes potential customers such as transit authorities, trucking fleets and municipal, state and provincial government agencies.

Other Opportunities

TI continues to develop new technologies used in applications which the Company could market in the future. One new development is the "Automatic Recognition of Consumers" product line.

The Automatic Recognition of Consumers product line allows consumers to use a transponder to start the purchasing process. This system eliminates the need for opening wallets to obtain a credit card or cash and its speed and convenience foster customer loyalty and repeat business. The most widely known application of Automatic Recognition of Consumers is associated with MOBIL Oil in the United States. This application was developed by TI in conjunction with one of its resellers. The MOBIL Oil "SpeedPass"™ system brings great convenience to the gas-buying public. Consumers can fill up and drive away without ever opening their wallets or purses. The MOBIL Oil application has been implemented at approximately 2,500 gas stations in 20 major urban centers with great success. In Canada, the Company is actively pursuing several major oil companies to adopt this technology in their retail distribution networks.

Competition

The Company faces competition in the electronic toll collection, traffic management and radio frequency identification markets as is more particularly described below.

Electronic Toll Collection and Traffic Management

Competition within the electronic toll collection and traffic management market segment is primarily based upon differentiation of product attributes, price, technical knowledge, experience and customer relationships. The Company's partnership with MFS for ETTMS Systems gives the Company the added advantage of being associated with the largest supplier of toll systems in North America.

The Company's competitors in the Canadian market for ETTM Systems include a mixture of systems integrators and manufacturers. Most of these companies are based outside of Canada and do not have the relationships or customer knowledge available to the Company as a result of the Company's base within Canada. These companies include manufacturers such as Amtech Systems Corporation ("Amtech") and AT/Comm, Inc. ("AT/Comm") and system integrators such as Mark IV Industries, Inc. ("Mark IV"), Raytheon Transportation Management Systems, Lockheed Martin, SAIC/Transcore and TDC Inc. The Company also faces competition from International Road Dynamics, a Canadian based provider of ETTM Systems.

Three main competitors in the North American market include Mark IV, AT/Comm and Amtech.

Mark IV, a U.S. company headquartered in New York with an intelligent vehicle highway systems division located in Mississauga, Ontario, is the major provider of electronic toll collection and traffic management products in the United States. Mark IV currently provides electronic toll collection and traffic management products for the Interagency Group ("IAG") of tolling agencies located in the North-East United States. MFS will be working with Mark IV for the New Jersey Turnpike project recently awarded to MFS. The IAG requires a second source for transponders and the Company believes there is an opportunity to participate in this market by providing that second source. Mark IV has also provided the transponders for the Highway 407 project in Toronto, Ontario.

AT/Comm a U.S. company located in Boston, manufactures electronic toll collection and traffic management products that include advanced features such as transponders with built-in displays and smart card interface. While the products include advanced features, they are also more costly and as such have not been widely integrated in the market.

Amtech is most prevalent in electronic toll collection and traffic management in the South-East United States. It is also the leading provider of tracking products for the rail industry worldwide. As Amtech works both as a manufacturer and an integrator for opportunities on a worldwide basis, it has not been as prevalent in the electronic toll collection and traffic management market.

There have been a number of other electronic toll collection and traffic management product manufacturers that have attempted to penetrate the North American market. These have included such companies as Combitech Traffic Systems AB from Sweden, Mitsubishi Motors Corporation from Japan, Tadiran Ltd. from Israel and Cegelec CGA and Ascom Elsydel Corporation from France. To date these companies have not been as competitive in pricing and frequency. The North American market utilizes the 915Mhz range as the de facto standard for electronic toll collection and traffic management applications. Internationally both the 2.45 GHz and 5.8 GHz ranges are commonplace but have not as yet been implemented in North America.

Radio Frequency Identification

<u>Parking Access Systems:</u>

There are a variety of competitors in the parking access market segment offering technologies other than radio frequency identification based systems. Competitive systems include card access systems which offer proximity cards. The proximity cards have read zones with a maximum of one foot and offer little advantage over traditional swipe card systems. The Company also faces competition from companies offering radio frequency identification based systems, however, many of these companies offer products that are more costly than the Company's products.

Amtech has introduced a "PASS/KEY" service in certain geographical locations in the United States. The PASS/KEY service provides customers the use of multiple parking facilities as transactions are "cleared" through a central Amtech transaction processing facility. Amtech is also expected to be introducing a new lower cost product to compete more effectively with the Company. The Company believes that recent pricing reductions introduced in June 1998 will allow the Company to remain the best price/performance product on the market.

Factory Asset Tracking Systems:

A competitive tool in the factory asset tracking market segment is bar coding. Bar coding is an effective identification tool that provides accurate and timely support of the data requirements for management systems. It has many good applications, however it is not a proven technology within clean room environments. Due to the restrictions of clean room environments and the need to track inventory at a "wet bench", bar coding is not a sought after alternative.

The main technology used in the factory asset tracking market is wireless systems which are either ultrasonic, infrared or radio frequency identification.

Ultrasonic communications have been used with limited success in some remote control applications, however, the pollution of the sonic environment is high in factory environments and the data transfer rate is very slow. In addition, a great deal of energy is required to generate ultrasonic wave forms that can compete with background noise levels which would be difficult to justify in a battery operated device. Lastly, because acoustic waves in air refract around corners and through openings, any degree of precision would be difficult to attain.

Infrared is a directional device and thus if an operator or obstacle comes between the portable device and the transceiver (which it must communicate with) there is the potential for information loss. Observations in a manufacturing environment show that work carried on by operators in an upright position will be in view 90% of the time. This accuracy is not acceptable in the manufacturing of products such as computer wafer chips, where an error rate of 1 in 10 million is unacceptable. This combined with the high costs of implementing an infrared system do not make it a viable system for wafer chip tracking.

Radio frequency identification has obvious benefits when used to track wafer chips within a clean room environment. Calculated error rates are as low as one in 100 trillion. Dirt, paint and other opaque substances do not affect the transponder's readability. Radio frequency identification also allows "on-the-fly" identification, which means that tagged objects do not need to stop. Radio frequency identification systems have non-contact readability and read ranges from less than one inch to many feet. Radio frequency identification transponders allow greater placement flexibility than other solutions and require virtually no maintenance and have no line of sight requirements and cannot be erased by strong magnetic fields. This combined with low cost positions radio frequency identification as the chosen system.

Fuel Management Systems:

There are competitors of various types in the fuel and fleet management market segment which compete with the Company.

AdvantEdge International Inc. a Canadian company, markets a fuel management system called Fuelmaster. Advantedge has focused on the international markets with pilot installations in South Africa and South America. The radio frequency identification portion of Fuelmaster uses a fuel-neck antenna solution and operates over limited ranges, which introduces significant overhead for customers in the installation process.

In addition, companies such as Gasboy International, Inc. and Petro Vend Inc. offer automated fueling systems. These companies mainly sell their products through distributors.

Rapac Network International ("Rapac") is a company based in Israel with international sales. It sells a basic brand of radio frequency identification device. Most Rapac systems are sold to small fleets and as such, they are not competitive in the retail market.

Intellectual Property

As the radio frequency identification industry is characterized by rapid technological change, the Company believes that factors such as the technological and creative skills of its personnel, new product development, product enhancements and reliable product maintenance are more important to establishing and maintaining a technology leadership position than the various legal protective measures for its technology.

The Company relies primarily upon a combination of trade secret laws and licence agreements to establish and protect proprietary rights in its products and technology. The source codes for the Company's products and technology are protected as trade secrets in its licensing agreements with customers and partners.

The Company has also entered into certain technology licence agreements with TI. The agreements grant the Company the rights to certain statutory and non-statutory intellectual property, including patents, copyrights, know-how and trade secrets which are owned or licensed by TI, to be used in the continued operation of the Highway Systems Division.

Facilities

The Company leases its head office facilities located in an industrial complex in Markham, Ontario. The facility is 4,200 square feet and consist of offices, a development lab and a warehouse. The Highway Systems Division is located in Dallas, Texas and is a leased facility of 3,500 square feet utilized for offices, a development lab and a warehouse

Employees

As of October 30, 1998 the Company employed twelve full-time employees in Canada and three in the United States. Of these employees, three were engaged in sales and marketing, eight were involved in technical areas including engineering development and support and the remaining four employees were involved in management and administration. None of the Company's employees are represented by unions and management considers its relationship with its employees to be excellent. The Company attempts to foster long term relationships with key employees through its stock option plan.

USE OF PROCEEDS

The gross proceeds of the issue and sale of the Special Warrants was $9,600,000 and an aggregate fee of $480,000 was paid to the Agent in connection with such issue and sale. The net proceeds of 9,120,000 derived from the issue and sale of the Special Warrants after payment of the Agent's commission have been and will be used by the Company as to approximately: (i) $6,000,000 for the acquisition of technology and other assets; and (ii) the balance of $3,120,000 for future acquisition activity and for working capital purposes.

To the extent that the full amount of the funds allocated to any of the above categories is not used for the stated purposes, the excess will either be used to repay debt or will be added to working capital and will be used in the ordinary course of business and for general and administrative purposes. Pending the uses described above, the Company has invested the net proceeds in short-term, interest bearing, investment grade securities.

MANAGEMENT

Directors and Officers

The names, municipalities of residence, positions with the Company and principal occupations of the directors and officers of the Company are as follows:

Name and Municipality of Residence	Position	Principal Occupation
Michael Briand Ajax, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Company
Jacob Gornitzki(1) Toronto, Ontario	Director and Chairman of the Board	Principal, Gornitzki, Thompson & Little (merchant bank)
Giles Boynowski Keswick, Ontario	Chief Financial Officer	Chief Financial Officer of the Company
Otto J. Jelinek(1) Prague, Czech Republic	Director	Chairman, Deloitte Touche Tohmatsu International (financial consultants)
Ralph E. Lean(2) Richmond Hill, Ontario	Director	Partner, Cassels Brock & Blackwell (law firm)
Kevin P. Moersch(1) Delray Beach, Florida	Director	Management Consultant
Kenneth C. Smith Toronto, Ontario	Director	Professor, University of Toronto
John Thompson(2) Etobicoke, Ontario	Director	Principal, Gornitzki, Thompson & Little (merchant bank)
Fred Veinot Scarborough, Ontario	Vice-President, Sales	Vice-President, Sales, of the Company
Phyllis Ip North York, Ontario	Secretary	Secretary, Gornitzki, Thompson & Little (merchant bank)

Notes:

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

Each of the foregoing individuals has held his present principal occupation or other office or position set forth opposite his name for the past five years, except for: Mr. Briand, who prior to January 1996 was the President of Recognition Canada Inc., Mr. Boynowski, who from January 1996 to December 1996 was an independent consultant and who prior to January 1996 was the Controller of Recognition Canada Inc., Mr. Jelinek, who prior to mid-1997 was President and Chief Executive Officer of Jelinek International and Mr. Moersch, who prior to May 1998 was President and Chief Executive Officer of MFS Network Technologies, Inc.

Executive Compensation

Summary Compensation Table

The Company had three executive officers (the "Named Executive Officers") as such term is defined in Regulation 1015 to the *Securities Act* (Ontario).

The following table contains information about the compensation paid to or earned by the Company's Named Executive Officers.

Summary Compensation Table

					Long-Term Compensation	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compen-sation[1]**	**Securities Under Options Granted (# Shares)**	**All Other Compensation**
Michael Briand[2] President and Chief Executive Officer	1997 1996	125,000 108,173	64,432 NIL	NIL NIL	50,000[3] 350,000	NIL NIL
Fred Veinot Vice-President, Sales	1997 1996 1995	78,346 72,581 47,269	44,568 25,650 24,230	NIL NIL NIL	25,000 120,000	NIL NIL NIL
Michael Putz Vice-President, Client Services[5]	1997 1996 1995	72,000 72,581 47,269	44,568 25,650 24,230	NIL NIL NIL	25,000 120,000 45,000[4]	NIL NIL NIL

Notes:

(1) Other Annual Compensation is valued at the incremental cost to the Company of such compensation.
(2) Mr. Briand commenced employment with the Company on January 22, 1996.
(3) Mr. Briand earned options to purchase 50,000 Common Shares pursuant to his employment agreement with the Company, which were subsequently issued on May 27, 1998.
(4) Such 45,000 options were granted in fiscal 1994 but were repriced in fiscal 1996.
(5) Mr. Putz's employment with the Company terminated on February 13, 1998. At that date, Mr. Putz’s options then outstanding were terminated.

Option/SAR Grants in Year ended November 30, 1997

Name and Position	Securities Under Options Granted(1)	% of Total Options Granted to Employees in Financial Year(2)	Date of Grant	Exercise Price($)	Closing Price on Day Prior to Date of Grant(3)	Expiration Date
Michael Briand (4) President and Chief Executive Officer	Nil	N/A	N/A	N/A	N/A	N/A
Fred Veinot Vice-President, Sales	25,000	26.31%	1/27/97	$0.40	$0.40	1/27/2002
Michael Putz (5) Vice-President, Client Services	25,000(5)	26.31%	1/27/97	$0.40	$0.40	1/27/2002

Notes:

(1) Options granted to the individuals listed refer to the Company's Common Shares.
(2) 95,000 options were granted to employees in the fiscal year ended November 30, 1997.
(3) Price refers to closing price per Common Share on the Canadian Dealing Network Inc. on the last day the Common Shares traded prior to the date of the grant.
(4) Mr. Briand earned options to purchase 50,000 Common Shares pursuant to his employment agreement with the Company, which were subsequently issued on May 27, 1998.
(5) Mr. Putz's employment with the Company terminated on February 13, 1998. At that date, Mr. Putz's options then outstanding were terminated.

The following table provides detailed information regarding options exercised by the Named Executive Officers during the fiscal year ended November 30, 1997. In addition, details on remaining options held are provided.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at November 30, 1997		Value of Unexercised in-the-money Options at November 30, 1997(1)	
			Exercisable (#)	Unexer-cisable (#)	Exercis-able ($)	Unexer-cisable ($)
Michael Briand(2)	Nil	Nil	350,000	Nil(2)	$353,500	N/A(2)
Fred Veinot	Nil	Nil	142,500	47,500	$139,650	$45,300
Michael Putz(3)	Nil	Nil	142,500	47,500	$139,650	$45,300

Notes:

(1) The closing price per Common Share on the Canadian Dealing Network Inc. on the last day that the Common Shares traded prior to November 30, 1997 was $1.33.
(2) Mr. Briand earned options to purchase 50,000 Common Shares pursuant to his employment agreement with the Company, which were subsequently issued on May 27, 1998.
(3) Mr. Putz's employment with the Company terminated on February 13, 1998. At that date, Mr. Putz's options then outstanding were terminated.

Employment Agreements

The Company has engaged Michael Briand to provide services to the Company through an employment agreement with the Company pursuant to which Mr. Briand has been retained for an indefinite period. Mr. Briand's employment with the Company may be terminated at the sole discretion of, and without cause by, the board of directors, upon payment of 12 months' salary.

Pension Arrangements

No defined benefit or defined contribution pension arrangements are in effect for the executive officers of the Company.

Compensation of Directors

The directors of the Company currently receive no cash compensation from the Company in their capacity as directors. The Compensation Committee of the Board of Directors is currently undertaking a review of this policy with a view to implementing compensation arrangements for directors of the Company in the future.

SHARE OPTION PLAN

The shareholders of the Company have adopted an employee stock option plan (the "ESOP"), under which the board of directors, or a committee appointed for such purpose, may from time to time grant to directors, officers or eligible employees of, or consultants to, the Company (collectively, "Eligible Personnel") options to acquire Common Shares in such numbers, for such terms and at such exercise prices as may be determined by the board or such committee. The purpose of the ESOP is to advance the interests of the Company by providing Eligible Personnel with a financial incentive for the continued improvements of the Company's performance and encouragement to stay with the Company.

Options will only be granted in compliance with applicable securities legislation and the requirements of The Toronto Stock Exchange.

Under the ESOP, the option exercise price must be not less than the market price less the maximum discounts or plus the minimum premium permitted, and the option term may not exceed five years. Options granted under the ESOP are non-transferable and terminate within a period of time following the holder ceasing to be a director, officer or employee of the Company or any of its affiliates. An aggregate of 10% of the Common Shares issued and outstanding from time to time were reserved for issue under the ESOP. There are currently, options to purchase 1,290,000 Common Shares outstanding.

The following table summarizes options which have been granted pursuant to the ESOP and which are outstanding as of the date hereof:

Class of Optionee	Number of Common Shares under Option	Date of Grant	Exercise Price	Expiry Date	Market Price at Date of Grant
Three executive officers as a group	25,000	January 27, 1997	$0.40	January 27, 2002	$0.40
	30,000	December 1, 1996	$0.35	December 1, 2000	$0.35
	30,000	September 1, 1996	$0.35	December 1, 2000	$0.35
	30,000	June 1, 1996	$0.35	December 1, 2000	$0.35
	40,000	May 16, 1996	$0.35	May 16, 2001	$0.35
	30,000	March 1, 1996	$0.35	December 1, 2000	$0.35
	45,000	November 8, 1993	$0.35	May 16, 2001	$0.35
Six directors who are not executive officers as a group	200,000	May 30, 1996	$0.48	May 30, 2001	$0.48
	420,000	May 16, 1996	$0.35	May 16, 2001	$0.35
	350,000	May 16, 1996	$0.32	May 16, 2000	$0.35
	50,000	May 27, 1998	$0.70	May 27, 2003	$0.70
Employees as a group	40,000	January 27, 1997	$0.40	January 27, 2002	$0.40

SELECTED FINANCIAL INFORMATION

The following selected financial information for the years ended November 30, 1997, 1996 and 1995 has been derived from the Company's audited consolidated financial statements and the notes thereto. The selected financial information for the nine months ended August 31, 1998 and 1997 has been derived from the Company's unaudited consolidated financial statements. The data should be read in conjunction with the Company's management discussion and analysis of financial condition and results of operations and the Company's consolidated financial statements and notes thereto included elsewhere herein. Dollar amounts are expressed in Canadian dollars in thousands, except per share amounts.

	Nine Months Ended August 31,		Years Ended November 30		
	1998	1997	1997	1996	1995
	(unaudited)			(audited)	
Statement of Operations Data:					
Revenue	$7,133,552	$3,370,377	$7,291,247	$2,844,464	$1,010,466
Income (loss) for interest income and foreign exchange	(1,071,600)	(419,664)	435,366	(1,767,189)	(1,960,702)
Net income (loss)	(789,550)	(409,465)	441,362	(1,762,032)	(2,173,548)
Earnings per share (basic)	(.04)	(.02)	0.03	(.11)	(.16)

	As at August 31,	As at November 30,	
	1998	1997	1996
	(unaudited)	(audited)	
Balance Sheet Data:			
Total assets	$13,358,561	$7,663,806	$1,387,352
Shareholders' equity	9,741,294	3,564,969	305,527

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

Overview

The following discussion is based upon the financial statements of the Company for the years ended November 30, 1997, 1996 and 1995 and for the periods ended August 31, 1998 and 1997. The Company has achieved consistent revenue growth since its inception averaging approximately 130% growth in each year. The Company became profitable for the first time in fiscal 1997 and had total income tax loss carryforwards which can be applied against future years' taxable income of $3,238,000 as of November 30, 1997.

Results of Operations

Nine Month Period Ended August 31, 1998 As Compared to Nine Month Period Ended August 31, 1997

Revenue

Total revenue increased 112% from $3,370,377 for the nine month period ended August 31, 1997 to $7,133,552 for the nine month period ended August 31, 1998. The increase in sales can be attributed to sales of products from the highway systems division acquired in December, 1997 which accounted for $5,726,420 of the total sales for the nine month period ended August 31, 1998.

Gross Margin

While revenue increased by 112%, the total cost of goods sold increased 109% from $2,293,229 for the nine month period ended August 31, 1997 to $4,791,895 for the nine month period ended August 31, 1998. Gross margins increased from $1,077,148 or 32.0% of revenue for the nine month period ended August 31, 1997 to $2,341,657 or 32.8% of revenue for the nine month period ended August 31, 1998. This increase was primarily due to the additional sales of the highway systems division products.

Expenses

Total expenses rose from $1,496,812 for the nine month period ended August 31, 1997 to $3,413,257 for the nine month period ended August 31, 1998, an increase of 128%. This increase was primarily due to special charges associated with the attempted acquisition of MFS Network Technologies, Inc. and the on-going litigation with Able Telecom Holding Corp. which totaled approximately $1.1 million for the nine month period ended August 31, 1998. Salaries and benefits increased from $858,345 for the nine month period ended August 31, 1997 to $1,117,777 for the nine month period ended August 31, 1998 due predominantly to the increased headcount associated with the acquisition of the highway systems division.

Earnings

Earnings decreased from a loss of $409,465 for the nine month period ended August 31, 1997 to a loss of 789,550 for the nine month period ended August 31, 1998. This decrease was as a result of the special one-time expenses associated with the attempted acquisition of MFS Network Technologies, Inc. and the on-going litigation with Able Telecom Holding Corp. which totaled over $1.1 million for the nine month period ending August 31, 1998.

Year Ended November 30, 1997 As Compared to Year Ended November 30, 1996

Revenue

Total revenue increased 156% from $2,844,464 for the year ended November 30, 1996 to $7,291,247 for the year ended November 30, 1997. This growth was primarily a result of the installation of several large tolling contracts in the Canadian Maritime provinces. Growth was also experienced in the Company's Hands Free and factory asset tracking product lines as a result of higher productivity of the sales staff and a focusing of efforts on specific market verticals.

Gross Margin

The percentage gross margin for the year ended November 30, 1997 increased to 36.0% from 24.8% for the year ended November 30, 1996. The increase in margin percentage was due mainly to the increased effectiveness of the bidding process and project management associated with the relatively large electronic toll collection projects installed by the Company in the year ended November 30, 1997.

Expenses

Total expenses for the year ended November 30, 1997 decreased 11% from $2,472,203 for the year ended November 30, 1996 to $2,190,600 for the year ended November 30, 1997. The decrease in expenses was partially from decreased travel and support costs as a result of the focus on the North American geographic market for the year ended November 30, 1997. General and administrative costs for the year ended November 30, 1997 were lower by $81,460 or 17% for the same period in 1996 as a result of the consolidation of the manufacturing facility in the year ended November 30, 1997.

Earnings

Net income increased from a loss of $1,762,032 for the year ended November 30, 1996 to a profit of $441,362 for the year ended November 30, 1997. This increase in net income was as a result of higher revenues, improved gross margins and decreased expenses.

Year Ended November 30, 1996 As Compared to Year Ended November 30, 1995

Revenue

Total revenue for the year ended November 30, 1996 was $2,844,464 representing an increase of $1,833,998 or 182% over revenues for the year ended November 30, 1995 of $1,010,466. The increase in revenue was due to the increased sales through the growing dealer network established for the Hands Free product line and the successful installation of the tolling system in Guangdong in the People's Republic of China.

Gross Margin

The gross margin for the year ended November 30, 1996 was $705,014 or 24.8% as compared to a gross margin of $237,037 or 23.5% for the year ended November 30, 1995. The cost of goods sold increased by $1,366,021 or by 177% for the year ended November 30, 1996 while revenue increased by 182%.

Expenses

Total expenses for the year ended November 30, 1995 were $2,197,739 as compared to $2,472,203 for the year ended November 30, 1996, an increase of $274,464 or 12.5%. This increase was due mainly to an increase in salaries and benefits of $375,765. Headcount increased as the Company moved out of the development phase and into production of its radio frequency product lines and as its need for more sales and support coverage increased.

Earnings

The net loss for the year ended November 30, 1996 was $1,762,032 a decrease of $411,516 from a net loss of $2,173,548 for the year ended November 30, 1995. The decrease in loss was due to the increase in revenues and gross margin in fiscal 1996.

Liquidity and Capital Resources

The Company has funded its operations to date primarily through cash generated from operations, a common share rights offering in May of 1996 which raised approximately $1,000,000, a private placement of 1,875,000 class A special warrants on May 1, 1997, a private placement of 3,430,000 and 2,570,000 Class B Special Warrants on October 10, 1997 and January 6, 1998, respectively, and a private placement of 6,000,000 Class C Special Warrants on January 9, 1998.

Cash used in operating activities for the nine months ended August 31, 1998 was $2,207,111. Cash provided by financing activities through the issuance of common shares and warrants for common shares was $6,965,875. Investing activities included the acquisition of technology and other assets relating to the highway systems business unit from Texas Instruments Inc. for $4,574,594 and the acquisition of capital equipment in the form of computers and office furniture accounted for $65,835. The Company had no long or short term debt other than the accounts payable incurred in the regular course of business during this period.

Cash flow provided by operations during the year ended November 30, 1997 was $304,350. Cash used in investing activities included a deposit of $2,901,799 for the attempted acquisition of MFS Network Technologies Inc. The Company also posted a letter of credit required for bonding purposes for $200,000. Capital investments for computer and office equipment totaled $17,570.

As of August 31, 1998, the Company had cash and short term deposits of $2,797,501. The current working capital ratio as at August 31, 1998 was approximately 3.00 to 1.00. Working capital requirements relate primarily to inventory and accounts receivable. A portion of accounts receivable can be financed through credit from suppliers, however the selling and operating costs associated with the receivables are typically on a much shorter credit profile. The Company believes that its current working capital should be sufficient to fund on-going operational cash requirements.

Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four digits to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experience before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the Corporation. As at August 31, 1998, the Corporation has commenced the identification of computer systems that will require modification or replacement. The Company uses an accounting system, which upon purchase, was certified to be Year 2000 compliant. An assessment of the readiness of third parties such as customers, suppliers and other third parties is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

CONSOLIDATED CAPITALIZATION

The consolidated capitalization of the Company as at the dates indicated was as follows:

	August 31, 1998 (unaudited)	November 24, 1998 (unaudited)	November 24, 1998 after giving effect to the issuance of the Common Shares upon exercise of the Special Warrants(1) (unaudited)
Common Shares (Authorized - unlimited)	$6,716,796 (19,847,843 shs.)	$6,716,796 (19,847,843 shs.)	$16,316,796(2) (32,447,843 shs.)
Special Shares (Authorized - unlimited)	Nil	Nil	Nil
Class B Special Warrants (Authorized – 13,875,000)	$3,600,000 (6,000,000 Class B Special Warrants)	$3,600,000 (6,000,000 Class B Special Warrants)	Nil
Class C Special Warrants	$6,000,000 (6,000,000 Class C Special Warrants)	$6,000,000 (6,000,000 Class C Special Warrants)	Nil
Class A Purchase Warrants	(937,500 class A purchase warrants)	(937,500 class A purchase warrants)	(937,500 class A purchase warrants)

Notes:

(1) As at the date hereof, the following Common Shares have been allotted and reserved for issuance as follows: (a) 1,290,000 Common Shares upon exercise of options granted to directors, officers and employees of the Company and reserved under the Company's ESOP. See "Management - Share Option Plan"; and (b) 937,500 Common Shares upon exercise of the class A purchase warrants.

(2) Before deducting all costs of the issue which have been charged to the deficit.

(3) As at August 31, 1998, the Company's deficit was $6,575,502 (unaudited). For information concerning the Company's obligations arising from leases on real property, see note 12 of the Company's consolidated financial statements and notes thereto, included elsewhere herein.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of special shares (the "Special Shares") of which, at the date hereof, 19,847,843 Common Shares and no Special Shares are outstanding.

Common Shares

Dividends

The holders of the Common Shares of the Company are entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the Directors of the Company, in such amount and in such form as the Directors of the Company may from time to time determine and all dividends which the Directors of the Company may declare on the Common Shares of the Company shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

Distribution Rights

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares of the Company are entitled, equally without distinction or preference, to receive the remaining property and assets of the Company and to participate equally in any distribution thereof.

Voting Rights

The holders of the Common Shares of the Company are entitled to receive notice of and to attend all meetings of shareholders of the Company. At any such meeting other than a meeting at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series, each Common Share of the Company shall confer one vote.

Special Shares

The Special Shares are issuable in series. Subject to the Company's Articles, the board of directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. The Special Shares rank prior to the Common Shares with respect to dividends and return of capital on dissolution. Except with respect to matters as to which the holders of preference shares are entitled to vote as a class, the holders of preference shares will not be entitled to vote at meetings of shareholders.

DIVIDEND POLICY

The Company has no fixed dividend policy and has not paid dividends in the past five years, nor does it have any present intention of paying dividends. The Company expects that future earnings will be reinvested in the growth of the Company's business. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deems relevant.

PRICE RANGE AND TRADING VOLUME

The Common Shares are quoted for trading on CDN under the symbol "SIRT". The following table sets forth the reported high and low prices and trading volume of the Common Shares on CDN for the periods indicated:

	Canadian Dealing Network		
1996	High	Low	Volume
Third Quarter	$0.49	$0.35	1,070,013
Fourth Quarter	$0.55	$0.35	641,610
1997			
First Quarter	$0.50	$0.36	457,050
Second Quarter	$0.48	$0.40	153,374
Third Quarter	$0.93	$0.41	1,020,917
Fourth Quarter	$1.38	$0.65	1,713,258
1998			
First Quarter	$1.70	$0.95	832,250
Second Quarter	$2.10	$0.60	2,105,930
Third Quarter	$0.70	$0.50	512,258
September	$0.60	$0.40	165,667
October	$0.40	$0.30	95,125
November (to November 23)	$0.40	$0.30	912,833

On November 23, 1998, the closing price of the Common Shares on CDN was $0.35.

PRINCIPAL SHAREHOLDERS

The following table sets forth information known to the Company, as at the date hereof, with respect to those persons or companies who own of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares prior to the exercise of the Special Warrants and after giving effect to the exercise of the Special Warrants:

Name	Number of Common Shares	Percentage of Common Shares Before Giving Effect to the Exercise of the Special Warrants	Percentage of Common Shares After Giving Effect to the Exercise of the Special Warrants
GTL Investment Corporation[(1)]	5,211,668	26%	16%

Note:

(1) GTL Investment Corporation is owned equally by Jacob Gornitzki, John Thompson and Paul F. Little.

As at the date hereof, the directors and officers of the Company as a group, own beneficially, directly or indirectly, 1,827,000 Common Shares representing approximately 9% of the outstanding Common Shares.

PRIVATE PLACEMENTS AND PLAN OF DISTRIBUTION

Pursuant to an agency agreement between the Company and the Agent (the "Class B Agency Agreement"), dated October 10, 1997, the Company issued and sold to purchasers resident in Ontario 3,430,000 and 2,570,000 Class B Special Warrants on October 10, 1997 and January 6, 1998, respectively, at a price of $0.60 per Class B Special Warrant for gross proceeds of $3,600,000. Pursuant to an agency agreement between the Company and the Agent (the "Class C Agency Agreement"), dated January 9, 1998, the Company issued and sold to purchasers resident in Ontario 6,000,000 Class C Special Warrants at a price of $1.00 per Class C Special Warrant for gross proceeds of $6,000,000. Each Class B and Class C Special Warrant entitles the holder thereof to receive, without payment of additional consideration, one Common Share, subject to adjustment, as provided for in the certificates representing the Class B and Class C Special Warrants.

An aggregate fee of $480,000 was paid to the Agent by the Company in connection with the issue and sale of the Special Warrants. No additional fee has been or will be paid to the Agent in connection with the issuance of the Common Shares and Purchase Warrants upon the exercise of the Special Warrants. The Class B Special Warrants may be exercised at any time prior to the Class B Expiry Time and the Class C Special Warrants may be exercised at any time prior to the Class C Expiry Time. Any Special Warrants not exercised prior to their respective expiry time will be deemed to be exercised immediately prior thereto without any further action on the part of the holders.

Pursuant to the terms of the Special Warrants, the Company agreed, among other things, to prepare and file a preliminary prospectus, to use its reasonable best efforts to resolve any regulatory matters and satisfy any regulatory deficiencies in respect of the preliminary prospectus and, as soon as reasonably practicable after such comments or deficiencies have been resolved or satisfied, to use its commercially reasonable efforts to obtain a receipt for a (final) prospectus qualifying the Common Shares issuable upon exercise of the Special Warrants under the laws of the Province of Ontario. It was a term of the Class C Special Warrants that if receipts for the (final) prospectus had not been issued by the securities regulatory authorities in the provinces in which purchasers of the Class C Special Warrants are resident on or before 5:00 p.m. (Toronto time) on May 31, 1998, each holder of Class C Special Warrants would receive 1.1 Common Shares (in lieu of one Common Share) upon exercise of the Class C Special Warrants. The Company did not obtain receipts for a (final) prospectus qualifying the Common Shares issuable upon exercise of the Class C Special Warrants prior to May 31, 1998 and, as a result, 6,600,000 Common Shares will be issuable upon exercise of the Class C Special Warrants.

The Special Warrants were issued pursuant to exemptions from the prospectus requirements of the *Securities Act* (Ontario). This prospectus is being filed to qualify the distribution of the Common Shares to be issued upon exercise of the Special Warrants.

CERTAIN CANADIAN AND FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cassels Brock & Blackwell, counsel to the Company, the following summary fairly describes the principal Canadian federal income tax considerations generally applicable to investors who for purposes of the Income Tax Act (Canada) (the "Tax Act") are resident in Canada, acquire and hold the Common Shares upon exercise of the Special Warrants as capital property and deal at arm's length with the Company. A Common Share will generally be capital property to a holder unless it is held in the course of carrying on a business or has been acquired in a transaction or transactions considered to be an adventure in the nature of trade. This summary is not applicable to an investor that is a "financial institution" as defined in the Tax Act for purposes of the "mark-to-market" rules.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals (the "Proposed Amendments") to amend the Tax Act or the Regulations publicly announced by the Minister of Finance prior to the date hereof, and the published administrative practices of Revenue Canada, Customs, Excise and Taxation ("Revenue Canada"). Except for the foregoing, this summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial decision or action or changes in administrative practices of Revenue Canada, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations. No assurance can be given that the Proposed Amendments will be enacted or that they will be enacted in the form announced by the Minister of Finance.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Therefore, prospective investors should consult their own tax advisers with respect to their particular circumstances.

Exercise of Special Warrants

No disposition will occur and no gain or loss will be realized by a holder of a Special Warrant on the exercise thereof.

Disposition of Common Shares

The actual or deemed disposition of a Special Warrant (other than on the exercise thereof) or of a Common Share will give rise to a capital gain (or capital loss) equal to the amount by which the actual or deemed proceeds of disposition, less the reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Common Share. Three-quarters of any capital gain (a "taxable capital gain") must be included in the income of the holder in the year of disposition. Generally, three-quarters of any capital loss (an "allowable capital loss") will be deductible against taxable capital gains in the year of disposition and, to the extent not so deducted, may be applied to reduce the amount of any taxable capital gains in the three preceding or any subsequent year to the extent and under the circumstances prescribed in the Tax Act.

Recognition of capital losses otherwise realized may be denied in various circumstances, including those involving transfers to "affiliated persons" as defined in the Tax Act. In addition, where a taxpayer disposes of Common Shares, the amount of the capital loss otherwise determined may be reduced by the amount of certain dividends received or deemed to have been received on such shares to the extent and under the circumstances prescribed in the Tax Act.

Capital gains realized by an individual may result in a liability to pay alternative minimum tax. The Tax Act provides that tax payable by individuals (other than certain trusts) is the greater of the tax otherwise determined and the alternative minimum tax.

Dividends

Dividends received on Common Shares will be subject to taxation as taxable dividends received from a taxable Canadian corporation. In the case of an individual or trust, the gross-up and dividend tax credit rules will apply to the dividends. In the case of a corporation, the dividends will generally be deductible in computing taxable income. Certain corporations may be liable to pay a refundable tax under Part IV of the Tax Act on such dividends.

PRIOR SALES

The following table sets forth the prior sales of the Company's securities in the past 12 months:

Date of Issue	Number and Class of Securities	Price per Security	Total Gross Proceeds
January 9, 1998	6,000,000 Class C Special Warrants	$1.00	$6,000,000
January 6, 1998	2,570,000 Class B Special Warrants	$0.60	$1,542,000

RISK FACTORS

In addition to other information contained in this Prospectus, an investment in the Common Shares is subject to a number of risk factors, which are summarized below.

Dependence on Market Growth for Products

The Company currently derives, and expects to continue to derive, substantially all of its revenues from licences and services related to radio communications identification and tracking systems. There can be no assurance that this market will continue to grow or, even if it does grow, that customers will purchase the Company's products. The Company has spent, and intends to spend, considerable resources educating potential customers generally about radio communications identification and tracking solutions and specifically about the Company's products. There can be no assurance, however, that such expenditures will enable the Company to achieve any additional degree of market acceptance. If the market for radio communications identification and tracking systems fails to grow or grows more slowly than the Company currently anticipates, the Company's business, results of operations and financial condition would be adversely affected.

Dependence on Market Growth

The Company's future success depends in part upon the successful introduction and acceptance of its radio frequency identification product suite. There can be no assurance that the market for the Company's radio frequency identification suite will develop or, if it develops, that it will adequately addresses the requirements of customers or keep pace with changes in that market.

Dependence on a Limited Number of Products and Customers

Substantially all of the Company's revenues are currently derived from a limited number of customers, products and services. Accordingly, the Company's future results of operations will depend, in part, on maintaining and increasing market acceptance of these products and services, as well as on the Company's ability to continue to enhance these products and services to meet the evolving needs of its customers. A reduction in demand, increase in competition, or a decline in sales of such products and related services could have a material adverse effect on the Company's business, results of operations and financial condition.

Risks Related to Acquisitions

The Company may continue to expand its operations or product offerings through the acquisition of additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. Acquisitions could also result in potentially dilutive issuances of equity securities. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Product Development and Technological Change

Management of the Company believes that the future success of the Company depends upon its ability to enhance current products or develop and introduce new products offering enhanced performance and functionality at competitive prices. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry. There can be no assurance that the Company will be successful in these efforts.

Dependence on Key Personnel

The success of the Company is largely dependent on the performance of its key employees. Failure to retain key employees and to attract and retain additional key employees with necessary skills could have a materially adverse impact upon the Company's growth and profitability. The Company's progress to date has been dependent to a significant extent on the skills of the executive team, including Michael Briand. The departure of any of the members of the Company's executive team could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Proprietary Technology

The Company relies on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's products is difficult, time-consuming and costly. There is no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar technology, the effect of either of which may be materially adverse to the Company's business, results of operations and financial condition.

Risk of Third Party Claims for Infringement

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements which, if required, may not be available on terms acceptable to the Company. Any of the foregoing could have a materially adverse effect on the Company's business, results of operations and financial condition.

Reliance on Third Party Licences

The Company relies on certain proprietary technology that it licences from third parties, including technology that is used in the Company's products to perform key functions. There can be no assurance that these third-party licences will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licences could result in delays or reductions in product shipments until equivalent technology can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

Limited Profitability

The Company has experienced substantial revenue growth in recent years, but profit and loss performance has varied widely on a quarterly and annual basis. The Company was not profitable in fiscal 1996, 1995 and 1994. There can be no assurance that the Company will establish a positive cash flow from operations in future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations.

Currency Risk

A significant portion of the Company's revenues are realized in United States dollars, with the balance realized in Canadian dollars. Fluctuations in the exchange rate between the United States dollar, other currencies and the Canadian dollar may have a material adverse effect on the Company's results of operations and financial condition.

DILUTION

The following tables set forth the dilution for each Common Share qualified hereunder based upon the consolidated net tangible book value attributable to each Common Share as at August 31, 1998 after giving effect to the issuance of 12,600,000 Common Shares upon the exercise of the Special Warrants:

Class B Special Warrants

		Per Common Share
Offering price per Common Share		$0.60
Consolidated net tangible book value per share before the offering(1)	($0.03)	
Increase in consolidated net tangible book value per share attributable to the offering(2)	$0.14	
Pro forma consolidated net tangible book value per share after the offering		0.10
Dilution to subscribers		0.50
Percentage dilution per share in relation to the offering price		83.3%

Class C Special Warrants

		Per Common Share
Offering price per Common Share		$1.00
Consolidated net tangible book value per share before the offering(3)	$0.10	
Increase in consolidated net tangible book value per share attributable to the offering(2)	$0.15	
Pro forma consolidated net tangible book value per share after the offering		0.26
Dilution to subscribers		0.74
Percentage dilution per share in relation to the offering price		74.0%

Notes:

(1) Consolidated net tangible book value represents consolidated shareholders' equity as at August 31, 1998 less the following: Class B Special Warrants and Class C Special Warrants included in shareholders' equity, costs of the issue charged to deficit, and goodwill.
(2) After deducting expenses of this offering and fees payable to the Agent. See "Private Placements and Plan of Distribution".
(3) After giving effect to the dilution relating to the Class B Special Warrants.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On October 10, 1997, January 6, 1998 and January 9, 1998, the Company completed private placements of 3,430,000 Class B Special Warrants, 2,570,000 Class B Special Warrants and 6,000,000 Class C Special Warrants, respectively, for aggregate gross proceeds of $9,600,000. GTL Securities Inc. acted as agent in connection with the financings and received net commission of $330,000.

In November 1997, GTL Securities Inc. assigned to the Company, its right to participate in the acquisition of all of the outstanding shares of MFS Network Technologies Inc. The Company paid GTL Securities Inc. US$100,000 in professional fees in connection with the assignment of the right.

Mr. Jacob Gornitzki, a director and shareholder of GTL Securities Inc. is also Chairman and a Director of the Company. Mr. John Thompson, Vice-President and shareholder of GTL Securities Inc. is a Director of the Company.

LEGAL PROCEEDINGS

On May 21, 1998, the Company filed a complaint (the "Complaint") in the United States District Court for the Southern District of Florida pursuant to which it has sued Able Telcom Holding Corp. ("Able") of West Palm Beach, Florida and its Agent, Thomas M. Davidson ("Davidson") for damages in excess of US$100,000,000. In the Complaint, the Company is also seeking injunctive relief. On April 28, 1998, the Company issued a press release which was in response to an announcement made by Able on April 27, 1998 that Able had entered into an agreement to acquire MFS Network Technologies, Inc. ("MFS"), a subsidiary of WorldCom, Inc. ("WorldCom") from WorldCom. The Company disclosed in the press release that the Company was negotiating to acquire MFS from WorldCom, that the terms of the acquisition were substantially completed and that the required financing commitments had been arranged for by the Company.

The Complaint alleges that during March 1998, the Company was approached by Able and its Agent, Davidson, to explore the possibility that Able could participate in some subsequent transaction with the Company and management of MFS following the acquisition of MFS by the Company. The Complaint also alleges that subsequently in early 1998, Able again contacted the Company and expressed its interest in being a minority investor in the contemplated acquisition of MFS by the Company. Further, the Complaint alleges that Able and its Agent, Davidson, obtained confidential information during these discussions with the Company under false pretenses and are misusing that information to steal a transaction from the Company worth in excess of US$100,000,000.

In the Complaint, the Company seeks: (a) injunctive relief against Able for breach of confidential information; (b) damages from both Able and Davidson for tortious interference with an advantageous business relationship; (c) damages from Davidson and Able for fraud in the inducement; and (d) damages from Able for negligent misrepresentation.

MATERIAL CONTRACTS

The only material contracts entered into by the Company during the two years preceding the date hereof or entered into in respect of the offerings of Special Warrants, other than in the ordinary course of business, are as follows:

1. The Asset Purchase Agreement referred to under "Business of the Company – Electronic Toll Collection and Traffic Management";

2. The Class B Agency Agreement referred to under "Private Placement and Plan of Distribution"; and

3. The Class C Agency Agreement referred to under "Private Placement and Plan of Distribution".

Copies of the foregoing agreements may be examined during normal business hours at Cassels Brock & Blackwell, Suite 2100, 40 King Street West, Toronto, Ontario during the course of distribution of the Common Shares and Purchase Warrants qualified hereunder and for 30 days thereafter.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Common Shares qualified hereby will be passed upon on behalf of the Company by Cassels Brock & Blackwell. As of November 23, 1998, the partners and associates of Cassels Brock & Blackwell beneficially owned, directly or indirectly, less than one percent of the outstanding Common Shares.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Ernst & Young, LLP, Chartered Accountants, Toronto, Ontario. The registrar and transfer agent for the Common Shares is Equity Transfer Services Inc. at its principal office in the City of Toronto, Ontario.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of Special Warrants, who acquires Common Shares and Purchase Warrants of the Company upon the exercise of Special Warrants as provided for in this Prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, any 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 to the Company on the acquisition of the Special Warrants. In the event 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 hereunder as if such permitted assignee was the original subscriber. No action may be taken to enforce the foregoing rights more than 180 days after the Expiry Time. The foregoing rights are in addition to any other right or remedy available to a holder of Special Warrants under section 130 of the *Securities Act* (Ontario) or the corresponding provisions of other securities legislation or otherwise at law.

PURCHASERS' STATUTORY RIGHTS

Sections 71, 130 and 138 of the Securities Act, R.S.O. 1990, c.S.5, as amended (the "Act") provide in effect that when a security is offered in the course of a distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day, exclusive of Saturdays, Sundays and holidays, after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by the purchaser;

(b) if a prospectus, together with an amendment to the prospectus, contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentations, if it was a misrepresentation at the time of purchase, subject to the limitations set forth in the Act, and

(1) such purchaser has the right for damages against,

(i) the issuer or a selling security holder on whose behalf the distribution was made;

(ii) each underwriter required to sign the certificate as required under Section 59 of the Act;

(iii) every director of the issuer at the time the prospectus or amendment was filed;

(iv) every person or company whose consent has been filed pursuant to the requirement of the regulations under the Act, but only with respect to reports, opinions or statements made by them; and

(v) every other person or company who signed the prospectus or the amendment;

but no action to enforce this right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or three years after the date of the transaction that gave rise to the cause of action.

(2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the security, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the aforesaid Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

AUDITORS' REPORT

To the Directors of
SIRIT Technologies Inc.

We have audited the consolidated balance sheets of **SIRIT Technologies Inc.** as at November 30, 1997 and 1996 and the consolidated statements of income (loss) and deficit and changes in financial position for each of the years in the three year period ended November 30, 1997. 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 audits.

We conducted our audits 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 principles 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 November 30, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended November 30, 1997 in accordance with generally accepted accounting principles.

Toronto, Canada,
January 16, 1998.
[except as to Note 14 which is as
of •, 1998]

Chartered Accountants

SIRIT Technologies Inc.

CONSOLIDATED BALANCE SHEETS

	As at August 31, 1998	**As at November 30**	
		1997	**1996**
	$	$	$
	[unaudited]		
ASSETS			
Current			
Cash	**2,212,501**	141,205	138,144
Short-term deposits *[note 2]*	**585,000**	200,000	—
Accounts and other receivables *[note 3]*	**6,238,438**	2,048,825	250,861
Unbilled contract revenue *[note 4]*	**—**	1,838,792	187,942
Inventory	**1,783,173**	211,700	182,927
Prepaid expenses	**17,416**	5,438	4,845
Acquisition deposit *[note 5]*	**—**	2,901,799	—
Total current assets	**10,836,528**	7,347,759	764,719
Capital assets, net *[note 6]*	**2,328,158**	97,654	104,015
Licences, net *[note 7]*	**—**	20,393	315,118
Goodwill, net	**193,875**	198,000	203,500
	13,358,561	7,663,806	1,387,352
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**3,567,686**	2,848,308	1,081,825
Due to related party *[note 8]*	**49,581**	1,250,529	—
Total current liabilities	**3,617,267**	4,098,837	1,081,825
Commitments and contingencies *[note 12]*			
Shareholders' equity			
Capital *[note 9]*	**16,316,796**	8,714,921	5,793,921
Deficit	**(6,575,502)**	(5,149,952)	(5,488,394)
Total shareholders' equity	**9,741,294**	3,564,969	305,527
	13,358,561	7,663,806	1,387,352

See accompanying notes

On behalf of the Board:

(signed) Michael Briand (signed) Jacob Gornitzki

SIRIT Technologies Inc.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND DEFICIT

	Nine-month periods ended August 31		Years ended November 30		
	1998	**1997**	**1997**	**1996**	**1995**
	$	$	$	$	$
		[unaudited]			
Revenue	**7,133,552**	3,370,377	7,291,247	2,844,464	1,010,466
Cost of sales	**4,791,895**	2,293,229	4,665,281	2,139,450	773,429
Gross margin	**2,341,657**	1,077,148	2,625,966	705,014	237,037
Expenses					
Salaries and benefits	**1,117,777**	858,345	1,205,413	1,120,166	744,401
Administration and general	**1,791,198**	276,203	421,380	502,840	547,050
Sales and marketing	**283,176**	126,187	239,651	490,309	479,134
Amortization	**221,106**	236,077	324,156	324,638	324,154
Development	**—**	—	—	34,250	103,000
	3,413,257	1,496,812	2,190,600	2,472,203	2,197,739
Income (loss) before the following	**(1,071,600)**	(419,664)	435,366	(1,767,189)	(1,960,702)
Interest income	**—**	523	8,483	5,157	62,354
Foreign exchange gain (loss)	**282,050**	9,676	(2,487)	—	(275,200)
Net income (loss) for the period	**(789,550)**	(409,465)	441,362	(1,762,032)	(2,173,548)
Deficit, beginning of period	**(5,149,952)**	(5,488,394)	(5,488,394)	(3,685,014)	(1,511,466)
Share issue costs	**(636,000)**	—	(102,920)	(41,348)	—
Deficit, end of period	**(6,575,502)**	(5,897,859)	(5,149,952)	(5,488,394)	(3,685,014)
Income (loss) per common share *[note 9]*	$**(0.04)**	$(0.02)	$0.02	$(0.11)	$(0.16)

See accompanying notes

SIRIT Technologies Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Nine-month periods ended August 31		Years ended November 30		
	1998	**1997**	**1997**	**1996**	**1995**
	$	$	$	$	$
	[unaudited]				
OPERATING ACTIVITIES					
Net income (loss) for the period	**(789,550)**	(409,465)	441,362	(1,762,032)	(2,173,548)
Add item not affecting cash					
Provision for notes receivable	**—**	—	—	—	275,200
Amortization	**221,106**	236,078	324,156	324,638	324,154
	(568,444)	(173,387)	765,518	(1,437,394)	(1,574,194)
Net change in non-cash working capital balances related to operations	**(1,638,667)**	(605,956)	(461,168)	387,274	(32,316)
Cash provided by (used in) operating activities	**(2,207,111)**	(779,343)	304,350	(1,050,120)	(1,606,510)
INVESTING ACTIVITIES					
Short-term deposits	**(385,000)**	—	(200,000)	—	200,000
Acquisition deposit	**2,337,916**	—	(2,901,799)	—	—
Purchase of capital assets	**(65,835)**	(5,601)	(17,570)	(20,316)	(44,116)
Acquired technology and other assets	**(4,574,549)**	—	—	—	—
Cash provided by (used in) investing activities	**(2,687,468)**	(5,601)	(3,119,369)	(20,316)	155,884
FINANCING ACTIVITIES					
Repayment of amount due to Texas Instruments Incorporated	**—**	**—**	—	(125,000)	(175,000)
Issuance of shares and warrants, net of issue costs	**6,965,875**	862,980	2,818,080	1,006,173	—
Cash provided by (used in) financing activities	**6,965,875**	862,980	2,818,080	881,173	(175,000)
Net increase (decrease) in cash during the period	**2,071,296**	78,036	3,061	(189,263)	(1,625,626)
Cash, beginning of period	**141,205**	188,144	138,144	327,407	1,953,033
Cash, end of period	**2,212,501**	266,180	141,205	138,144	327,407

See accompanying notes

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of SIRIT Technologies Inc. [the "Company"] have been prepared by management in accordance with generally accepted accounting principles and within the framework of the accounting policies summarized below.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Sirit Corp., incorporated under the laws of Ontario, Canada, and its indirect wholly-owned subsidiary, Sirit Corp., incorporated under the laws of Texas, U.S.A. All significant intercompany accounts and transactions have been eliminated on consolidation.

Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and net realizable value is determined as estimated selling price less costs to sell.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided on a declining balance basis over the estimated useful lives of the assets using the following annual rates:

Furniture and fixtures	20%
Computer equipment	20%
Engineering equipment	20%
Acquired technology	straight-line basis over 10 years

Licences

Licences are initially recorded at cost. Amortization is provided on a straight-line basis over the expected economic life of the licences. The licences are being amortized over periods ranging from 36 to 49 months.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

Goodwill

Goodwill, which is the excess of the purchase price over the estimated fair value of the net identifiable assets acquired, is amortized on a straight-line basis over forty years. At August 31, 1998, goodwill is presented net of accumulated amortization of $26,125 [November 30, 1997 - $22,000; November 30, 1996 - $16,500]. Permanent impairment in unamortized goodwill is determined based on an estimation of its fair market value.

Foreign exchange translation

The Company's foreign subsidiary is considered to be an integrated operation. Consequently, its accounts are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the rate of exchange in effect at the consolidated balance sheet dates, non-monetary items are translated at historical exchange rates and revenue and expenses are translated at the average exchange rate for the period. Amortization of assets are translated at the same exchange rate as the assets to which they relate. Exchange gains and losses on translation are included in income (loss), except for unrealized gains and losses on long-term monetary items which are deferred and amortized on a straight-line basis over the remaining life of the related item.

The monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the rates of exchange in effect at the consolidated balance sheet dates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Exchange gains or losses on translation are included in income (loss).

Revenue recognition

Revenue from sales of products is recognized upon shipment to customers. Revenue from long-term contracts is recorded on the percentage-of-completion method based on the ratio of the incurred costs to date to the projected total cost of completing the contracts. In situations where it is anticipated that a loss will be incurred upon the completion of a particular contract, provision is made for the total anticipated loss in the period in which it becomes evident.

2. SHORT-TERM DEPOSITS

The short-term deposits represent two investments in Guaranteed Investment Certificates ["GIC's"] with the Company's bankers in the amounts of $200,000 and $385,000. The deposits were required to secure standby letters of guarantee in the amounts of $200,000 and US$275,000 respectively issued by the Company's bankers to third-parties with whom the Company has entered into long-term contracts. The use of the funds invested in the GICs is restricted by the Company's bankers until the cancellation of the standby letters of guarantee which is expected to occur in fiscal 1998 and 1999, respectively. The investments have a yield of 3.25% and 4.15% per annum and mature on October 21, 1998 and March 31, 1999, respectively.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended August 31, 1998 and 1997 is unaudited]

3. CONCENTRATION OF ACCOUNTS RECEIVABLE

As at August 31, 1998, four customers [November 30, 1997 - three; November 30, 1996 - one], of which two pertain to contracts for government agencies, account for approximately 80% [November 30, 1997 - 75%; November 30, 1996 - 97%] of accounts receivable. Management uses a system of credit approvals and of monitoring the timeliness of payments in relation to the terms and conditions of sale to mitigate the risk of loss associated with the Company's accounts receivable.

4. UNBILLED CONTRACT REVENUE

Unbilled contract revenue represents revenue earned by the Company on long-term contracts in accordance with its revenue recognition accounting policy, but which had not yet been billed to customers due to the invoicing and payment terms of the relevant contracts. At August 31, 1998, there was no revenue on long-term contracts which had yet to be billed by the Company [November 30, 1997 - $1,838,792; November 30, 1996 - $187,942].

5. ACQUISITION DEPOSIT

During the year ended November 30, 1997, the Company acquired the right to participate in the acquisition of all of the outstanding shares of a company through the deposit of US$2,000,000 with the vendor's lawyers. The balance of the deposit on the accompanying 1997 consolidated balance sheet was comprised of this deposit plus professional fees paid of US$100,000 relating to the acquisition. The deposit was to be used to finance the costs related to due diligence procedures. Costs incurred during the year ended November 30, 1997 amounted to approximately US$375,000 and were applied against the deposit. The balance of the deposit was to be applied to the final purchase consideration upon the successful completion of the acquisition.

Due to a failure to complete the scheduled acquisition, the unused balance of the acquisition deposit was returned to the Company during the period ended August 31, 1998. The portion of the deposit expended in the due diligence process and not returned to the Company was approximately $564,000 and has been written off during the nine-month period ended August 31, 1998.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended August 31, 1998 and 1997 is unaudited]

6. CAPITAL ASSETS

Capital assets consist of the following:

	As at August 31, 1998		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Furniture and fixtures	**66,768**	**31,163**	**35,605**
Computer equipment	**143,349**	**63,018**	**80,331**
Engineering equipment	**381,675**	**37,560**	**344,115**
Acquired technology	**2,005,410**	**137,303**	**1,868,107**
	2,597,202	**269,044**	**2,328,158**

	As at November 30, 1997		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Furniture and fixtures	50,641	25,959	24,682
Computer equipment	108,053	48,381	59,672
Engineering equipment	18,386	5,086	13,300
	177,080	79,426	97,654

	As at November 30, 1996		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Furniture and fixtures	54,614	20,306	34,308
Computer equipment	97,585	34,072	63,513
Engineering equipment	8,993	2,799	6,194
	161,192	57,177	104,015

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended August 31, 1998 and 1997 is unaudited]

7. LICENCES

Licences consist of the following:

	As at August 31, 1998 $	As at November 30 1997 $	1996 $
Cost	**1,172,000**	1,172,000	1,172,000
Accumulated amortization	**1,172,000**	1,151,607	856,882
Net book value	**—**	20,393	315,118

8. DUE TO RELATED PARTY

The balance at November 30, 1997 represents advances made to a third party by a shareholder acting as agent for the Company, agency commissions for the negotiation of the agreement disclosed in note 5, and commissions on warrants issued during the year, net of repayments. During the nine-months period ended August 31, 1998, this balance was repaid. The balance at August 31, 1998 is owing to a shareholder of the Company. Amounts due to related parties are non-interest bearing, have no fixed terms of repayment and are due on demand.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended August 31, 1998 and 1997 is unaudited]

9. CAPITAL

Capital consists of the following:

Authorized share capital

Unlimited common shares
Unlimited special shares

Issued capital

	As at August 31, 1998		As at November 30, 1997		1996	
	#	$	#	$	#	$
Common shares						
Balance, beginning of period	**17,805,343**	**5,906,921**	17,458,676	5,793,921	13,966,941	4,746,400
Shares issued by the Company	—	—	166,667	50,000	—	—
Exercise of options	**167,500**	**59,875**	180,000	63,000	—	—
Exercise of warrants	**1,875,000**	**750,000**	—	—	3,491,735	1,047,521
Balance, end of period	**19,847,843**	**6,716,796**	17,805,343	5,906,921	17,458,676	5,793,921
Warrants						
Balance, beginning of period, Class A Special Warrants	**1,875,000**	**750,000**	—	—	—	—
Issuance of Class A Special Warrants during period	**—**	**—**	1,875,000	750,000	—	—
Exercise of Warrants	**(1,875,000)**	**(750,000)**	—	—	—	—
Balance, end of period, Class A Special Warrants	—	—	1,875,000	750,000	—	—

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS cont'd

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

	As at August 31, 1998		As at November 30, 1997		1996	
	#	$	#	$	#	$
Balance, beginning of period, Class B Special Warrants	**3,430,000**	**2,058,000**	—	—	—	—
Issuance of Class B Special Warrants during period	**2,570,000**	**1,542,000**	3,430,000	2,058,000	—	—
Balance, end of period Class B Special Warrants	**6,000,000**	**3,600,000**	3,430,000	2,058,000	—	—
Balance, beginning of period, Class C Special Warrants	—	—	—	—	—	—
Issuance of Class C Special Warrants during period	**6,000,000**	**6,000,000**	—	—	—	—
Balance, end of period Class C Special Warrants	**6,000,000**	**6,000,000**	—	—	—	—
Total Warrants, end of period	**12,000,000**	**9,600,000**	5,305,000	2,808,000	—	—
Total Capital	**31,847,843**	**16,316,796**	23,110,343	8,714,921	17,458,676	5,793,921

The legal stated value of the Company's common shares differs from the carrying value reflected in these consolidated financial statements. The legal stated capital at August 31, 1998 is $23,159,064 [November 30, 1997 - $15,537,189; November 30, 1996 - $12,616,189].

Each class A special warrant is convertible, with no additional payment, to one common share of the Company and one half share purchase warrant. The holders of the share purchase warrants are entitled to acquire one common share of the Company for each two share purchase warrants at an exercise price of $0.50 per share. During the nine months ended August 31, 1998, the class A special warrants were automatically exercised resulting in the issuance of 937,500 share purchase warrants. These share purchase warrants may be exercised at any time from the date of their issue to the date of that is eighteen months thereafter. Each Class B Special Warrant is convertible, with no additional payment, to one common share of the Company. The Class B Special Warrants expire at the earlier of the sixth business day following the filing of a final prospectus qualifying the distribution of common shares underlying the Class B Special Warrants of the Company or eighteen months following the issuance of the Class B Special Warrants. Each Class C Special Warrant entitles the holder thereof to acquire one common share in the capital of the Company at no additional cost. Should the clearance date relating to a prospectus of the Company not occur prior to five o'clock p.m. on May 31, 1998 each outstanding Class C Special Warrant will entitle the holder to 1.1 common shares for no additional consideration. The Class C Special Warrants expire at the earlier of the sixth business day following the filing of a final prospectus qualifying the distribution of common shares underlying the Class C Special Warrants or one year following the issuance of the Class C Special Warrants.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

Earnings per share

The weighted average number of shares used to calculate basic earnings per share for the period ended August 31, 1998 was 18,768,944 [August 31, 1997 - 17,638,954; November 30, 1997 - 17,725,621; November 30, 1996 - 15,712,809; November 30, 1995 – 13,584,675].

Stock options

The shareholders of the Company have adopted an employee stock option plan (the "ESOP") under which the board of directors may from time to time grant to eligible personnel options to acquire common shares of the Company. An aggregate of 10% of the common shares issued and outstanding from time to time were reserved for issue under the ESOP.

Stock options for the purchase of common shares of the Company have been granted to certain directors, officers and employees and are subject to certain terms and conditions. The outstanding options as at August 31, 1998 are as follows:

Common shares under option #	**Exercise price** $	**Date of grant**
33,750 (i)	0.35	November 8, 1993
11,250 (ii)	0.35	November 8, 1993
30,000 (iii)	0.35	March 1, 1996
460,000 (iv)	0.35	May 16, 1996
350,000 (v)	0.32	May 16, 1996
200,000 (vi)	0.48	May 30, 1996
30,000 (vii)	0.35	June 1, 1996
30,000 (viii)	0.35	September 1, 1996
30,000 (ix)	0.35	December 1, 1996
65,000 (x)	0.40	January 27, 1997
50,000 (xi)	0.70	May 27, 1998

(i) These options are fully vested and are exercisable until May 16, 2001.
(ii) These options become fully vested on May 16, 1999 and are exercisable until May 16, 2001.
(iii) These options are fully vested and are exercisable until December 1, 2000.
(iv) These options are fully vested and are exercisable until May 16, 2001.
(v) These options are fully vested and exercisable until May 16, 2000.
(vi) These options are fully vested and are exercisable until May 30, 2001.
(vii) These options are fully vested and are exercisable until December 1, 2000.
(viii) These options are fully vested and are exercisable until December 1, 2000.
(ix) These options are fully vested and are exercisable until December 1, 2000.
(x) These options are fully vested and are exercisable until January 27, 2002.

(xi) 20% of these options vested on May 27, 1998 and the remaining options vest as to 20% on each of the first, second, third and fourth anniversary thereafter, and the options are exercisable until May 27, 2003.

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS cont'd

[Information as at August 31, 1998 and for the nine month periods ended August 31, 1998 and 1997 is unaudited]

10. SEGMENTED INFORMATION

The Company operates primarily in one business segment consisting of developing and marketing radio frequency identification products. Information concerning the Company's business on a geographic segmented basis is as follows:

	Nine- month periods ended August 31		Years ended November 30		
	1998	**1997**	**1997**	**1996**	**1995**
	$	$	$	$	$
Revenue					
Canada	**465,967**	2,710,929	5,659,039	1,697,394	485,963
United States	**5,479,262**	659,448	1,056,352	1,147,070	524,503
Other	**1,188,323**	—	575,856	—	—
Consolidated sales	**7,133,552**	3,370,377	7,291,247	2,844,464	1,010,466
Operating and net income (loss) for the period					
Canada	**(1,809,487)**	(245,036)	734,829	(1,576,222)	(1,741,729)
United States	**1,019,937**	(164,429)	(293,467)	(185,810)	(431,819)
Consolidated net income (loss) for the period	**(789,550)**	(409,465)	441,362	(1,762,032)	(2,173,548)
Identifiable assets					
Canada	**6,562,792**	—	7,437,892	953,741	—
United States	**6,601,894**	—	27,914	230,111	—
Consolidated identifiable assets	**13,164,686**	—	7,465,806	1,183,852	—
Goodwill	**193,875**	—	198,000	203,500	
Consolidated total assets	**13,358,561**	—	7,663,806	1,387,352	—

During the nine-month period ended August 31, 1998, export sales from Canada to the United States were approximately $890,688 [nine month period ended August 31, 1997 - $381,842; year ended November 30, 1997 - $1,039,133; year ended November 30, 1996 - $395,016; year ended November 30, 1995 - $6,200].

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

11. INCOME TAX LOSS CARRYFORWARDS

As at November 30, 1997, the Company, its Canadian subsidiary and its U.S. subsidiary have income tax losses of approximately $560,000, $1,728,000 and $950,000, respectively, which can be applied against future years' taxable income, the benefit of which has not been recorded in the consolidated financial statements. These tax losses expire as follows:

	$
2001	175,000
2002	680,000
2003	1,348,000
2004	85,000
2010	475,000
2011	185,000
2012	290,000
	3,238,000

The Company also has unrecognized differences in amounts recorded for accounting purposes in excess of those claimed for income tax purposes which are available to offset future income for tax purposes.

Realization of the tax benefit from the above-noted items is dependent upon future profitability and accordingly, no portion of such potential benefit has been recorded in the accounts.

Included in the costs recorded for accounting purposes in excess of those claimed for income tax purposes is unclaimed share issue costs. The tax benefit of these costs is being recognized as a reduction of share issue costs when realized.

12. COMMITMENTS AND CONTINGENCIES

During the year ended November 30, 1997, the Company entered into an operating lease for office premises. The future minimum lease payments are approximately as follows:

	$
Year ending 1998	16,650
Year ending 1999	66,600
Year ending 2000	50,600
	133,850

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four digits to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experience before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the Company. As at August 31, 1998, the Company has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties such as customers, suppliers and other third parties is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. ASSET ACQUISITION

On December 31, 1997, the Company entered into an Asset Purchase Agreement [the "Agreement"] with Texas Instruments Incorporated [the "Vendor"]. The Company acquired specified assets related to the high frequency TIRIS Highway Systems technology for cash consideration of $4,574,549 [US$3,201,000].

The assets acquired are as follows:

	$
Accounts receivable	573,709
Inventory	1,639,583
Engineering equipment	355,847
Acquired technology	2,005,410
	4,574,549

SIRIT Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS cont'd

[Information as at August 31, 1998 and for the nine month periods ended
August 31, 1998 and 1997 is unaudited]

14. SUBSEQUENT EVENTS

On •, 1998 the Company filed a final prospectus to qualify the distribution of 12,600,000 common shares in the capital of the Company which will be issued, without additional consideration, upon the exercise of 6,000,000 previously issued Class B Special Warrants of the Company issued at a price of $0.60 per Class B Special Warrant in two tranches, 3,430,000 on October 10, 1997 and 2,570,000 on January 6, 1998 and 6,000,000 previously issued Class C Special Warrants of the Company issued on January 9, 1998 at a price of $1.00 per Class C Special Warrant.

CERTIFICATE OF THE COMPANY

Dated: November 24, 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)	Michael Briand Chief Executive Officer	(Signed)	Giles Boynowski Chief Financial Officer

On behalf of the Board of Directors

(Signed)	Jacob Gornitzki Director	(Signed)	John Thompson Director

CERTIFICATE OF THE AGENT

Dated: November 24, 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.

GTL SECURITIES INC.

(Signed) Paul F. Little

The only persons or companies having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of GTL Securities Inc. are Jacob Gornitzki, John Thompson and Paul F. Little.