

NamSys Inc.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JULY 31, 2017

On November 1, 2016, Cencotech Inc. (“Cencotech”) amalgamated with its wholly owned subsidiary, NamSys Inc. (“NamSys”), and continued to operate under the name NamSys Inc. (“the Company”).

The following is a discussion and analysis of the results of operations and financial condition of the Company for the nine months ended July 31, 2017 and 2016 along with certain factors that may affect the Company’s prospective financial condition and results of operations.

Forward-Looking Statements

This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of revenue, cash flow, costs, economic return) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Overview

The Company is an active participant in the development and production of currency inventory management and control systems for financial institutions, retailers, currency carriers, casino and mass transit operators, and various government agencies. Many of these customers are distributors and in turn offer our services to their clients.

The Company’s strategic direction has been to enhance its position as a supplier of efficient solutions. Part and parcel of this strategy has been to invest in its existing business, continue to introduce new products, research opportunities in new industry sectors and complete strategic alliances, to extend the technological and market reach of the Company. To achieve the objectives of these strategies it is critical that alliances reached with larger participants, whom are effectively our distributors, are actively productive. The Company generated a profit for the nine months ended July 31, 2017 and years ended October 31, 2016 and 2015.

The Company’s software products have demonstrated their value in use to the licensees of the products. The Currency Controller product has a history of solid performance in major North American financial institutions. The current generation of this product continues to be adopted by users in the market as a replacement for prior versions of the Currency Controller and as a

replacement for competitor systems with fewer features. As this market has evolved over the years, the Company's competitors are offering a variety of supplementary systems in concert with currency management and control software. The open design nature of the Currency Controller solution and its ability to interface to other systems employed by the user is a major selling point of this product. The features of the Currency Controller coupled with the apparent new direction of the Federal Reserve Bank in the United States to off-load some of its currency processing functions to the commercial banks, and the integration of some of the larger U.S. banks, may be expected to lead to increased customer interest in this product.

As software continues to evolve, software products are increasingly sold as a hosted service rather than as customer licenses. This evolution, which began gaining traction approximately four years ago, is generally referred to as "cloud" computing services or software as a service ("SaaS"). The Company has offered hosted service for a few of its software products for some time. The Company's hallmark Currency Controller product is comprised of multiple functions that are separable into discrete software offerings. The Company has found a market for the cloud offering of individual components of the Currency Controller system, as well as for the complete system. Over the past three years, NamSys has adapted its software to be available through this medium. These SaaS products are branded and trademarked as "Cirreon". Although we also continue to sell license contracts, as sales of hosted products increase and monthly payments are made to the Company for usage, the financial model for the Company has changed accordingly.

Quarterly Financial Data

The table below presents selected financial data of the Company for each of the eight fiscal quarters ended July 31, 2017:

| | Fiscal quarter end | | | | | | | |
|---------------------------------|---------------------------|---------|---------|---------|---------|---------|---------|---------|
| | Jul. 31 | Apr. 30 | Jan. 31 | Oct. 31 | Jul. 31 | Apr. 30 | Jan. 31 | Oct. 31 |
| | 2017 | 2017 | 2017 | 2016 | 2016 | 2016 | 2016 | 2015 |
| | (in thousands of dollars) | | | | | | | |
| Revenue | 754 | 752 | 691 | 632 | 712 | 561 | 495 | 456 |
| Gross profit | 557 | 518 | 505 | 434 | 558 | 388 | 346 | 312 |
| Income before tax* | 305 | 387 | 289 | 245 | 444 | 164 | 253 | 66 |
| Comprehensive income per share: | | | | | | | | |
| Basic | 0.010 | 0.010 | 0.010 | 0.010 | 0.010 | 0.004 | 0.007 | 0.010 |
| Diluted | 0.010 | 0.010 | 0.010 | 0.010 | 0.010 | 0.004 | 0.007 | 0.010 |

*The Company has chosen to compare year over year Income before taxes because the Company only became taxable in the third quarter of 2016, due to losses in previous years. In fiscal 2015, with the concurrence of the Company's auditors, the tax loss carry forwards were assigned an estimated value and capitalized in the Company's accounts. Fiscal 2017 Comprehensive Income reflects the taxes which would have been payable had the Company been taxable. The tax amount for each period is in turn charged against the capitalized tax asset. Prior to the capitalization of such losses, the accounting protocol assumed no taxes were payable. For comparison purposes, therefore, Income before Taxes is the appropriate metric.

The sales cycle for the Company's licensable products tends to be protracted and the unit selling prices of licenses are relatively high. These factors together with a relatively low number of licensing transactions historically lead to revenue fluctuations quarter to quarter and year to year. The SaaS offering of these products is now changing these dynamics. Customer feedback continues to be positive, and with the global economy showing signs of recovery, the Company believes the proven value of its Currency Controller and SaaS products, as described above, will be realized through fulfillment of customer demand in 2017 and beyond.

Results of Operations

Three months ended July 31, 2017 compared to Three months ended July 31, 2016

Revenue

| | 2017 | 2016 | Change | Change % |
|--|---------|---------|-----------|----------|
| | \$ | \$ | \$ | |
| Hosted services, maintenance and product support | 646,992 | 418,989 | 228,003 | 54.4% |
| Licences | 96,674 | 254,323 | (157,649) | -62.0% |
| Professional services | 10,125 | 38,466 | (28,341) | -73.7% |
| | 753,791 | 711,778 | 42,013 | 5.9% |

Revenues in the three months ended July 31, 2017, increased in comparison to the same period in the prior year. The Company's total sales for the three months ended July 31, 2017, were \$753,791 as compared to \$711,778 for the corresponding period in 2016, an increase of \$42,013 or 5.9%. As the Company continues to expand upon the "software-as-a-service" model, the sales cycle is shortening and the service is paid monthly.

The Company generates software revenue from Cirreon hosted services and from the sale of license agreements to use its software products, upgrading existing license holder's systems, training, consulting and from recurring revenues for maintenance and product support. The majority of the Company's licensed systems customers renew their product support agreements annually, in order to stay current with new features and developments. A small number of Cirreon license agreements have been granted to distributors where the product has been customized to meet the needs of the distributor's clients. Such licenses are for definitive periods and are for defined usage with normal "SaaS" monthly fees.

Recurring revenue, including maintenance, product support and hosted services (SaaS) revenue for the three months ended July 31, 2017 represented \$646,992 of the total revenue compared to \$418,989 for the corresponding three months the previous year, an increase of \$228,003 or 54.4%. Recurring revenue represented 85.8% of total sales revenue in the three months ended July 31, 2017, as compared to 58.9% in the same three months of fiscal 2016.

Currency Controller license fees for the three months ended July 31, 2017, were \$91,517 compared to \$84,713 for the 2016 comparative period. Cirreon license fees for the three months ended July 31, 2017, were \$5,157 compared to \$169,610 for the 2016 comparative period.

In the third quarter of 2017, revenue related to upgrading existing systems of \$10,125 represents a decrease of \$28,341 compared to \$38,466 from the corresponding period in 2016. Consulting revenue in the third quarter of 2017 was \$nil compared to \$nil in the third quarter of 2016.

Cost of Goods Sold and Gross Profit

Three months ended July 31, 2017 compared to Three months ended July 31, 2016

Historically, the sales mix between software license fees, hosted products and royalties impact the Company's Gross Profit in any given reporting period. Gross Profit can also be affected by changes in the exchange rate between Canadian and U.S. dollars, given that U.S. sales represent more than 90% of total sales.

Cost of goods sold for the three months ended July 31, 2017, was \$197,106 compared to \$153,338 in the corresponding period in 2016. The overall Gross Profit achieved in the third quarter of 2017 was \$556,685 or 73.9%, compared to Gross Profit for the corresponding period in 2016 of \$558,440 or 78.5%, a decrease in Gross Margin percentage of 4.6 percentage points.

Selling Expenses

Three months ended July 31, 2017 compared to Three months ended July 31, 2016

Selling expenses are comprised of direct selling and marketing expenses and the salaries of employees whose principal function is sales and marketing. Selling expenses for the three months ended July 31, 2017, totaled \$54,080, an increase of \$4,316 or 8.7% from \$49,764 in the corresponding period of 2016. This increase is mostly because of higher compensation costs for sales staff. Selling expense was 7.2% of revenue in the third quarter of 2017 as compared to 7.0% in the 2016 same quarter, recognizing that revenues in the 2017 period were up \$42,013 or 5.9% from the 2016 comparative period.

General and Administration Expenses

Three months ended July 31, 2017 compared to Three months ended July 31, 2016

General and administration ("G&A") expense consists primarily of salaries, benefits and overhead expenses, corporate maintenance charges, occupancy, professional fees and travel.

G&A expense totaled \$121,258 in the three months ended July 31, 2017 as compared to \$85,290 in the 2016 comparative period, an increase of \$35,968 or 42.2%.

Staffing and management costs were higher by \$35,566 with compensation increases for administrative personnel, corporate directors and key management. Various other G&A expenses, in aggregate, increased period-over-period by \$402.

Depreciation for the three months ended July 31, 2017, of \$772 increased by \$128 or 19.9% from \$644 in the same period of 2016. The level of amortization is a result of the Company incurring only minor expenditures for intellectual assets and property and equipment over the last several years and due to the write-off of intellectual assets in the fourth quarter of

2015, which had a carrying value of \$19,428, associated with a technology for which patent protection is no longer being pursued.

With the increase in sales, as noted above, and the increase in G&A expenses, the G&A expense ratio as compared to revenue was 16.1% in the third quarter of 2017 as compared to 12.0% in the 2016 third quarter.

Financing and Other Costs

Other than trade and other payables, and income taxes payable, the Company has no debt outstanding and incurred no interest expense in respect of outstanding debt in the current or comparative period.

Loss (gain) on foreign exchange

The Company recognized a loss on foreign exchange of \$76,702 in the third quarter of 2017, whereas a gain of \$20,742 was experienced in the comparative quarter of 2016. This results in a decrease in income of \$97,444 in 2017 as compared to the 2016 same period. The loss on foreign exchange recognized in the quarter ended July 31, 2017, is a result of both the large number of clients that are domiciled in the USA, which are invoiced for services in US dollars, along with the appreciation in the Canadian dollar vis-à-vis the US dollar occurring during the quarter. The Company invoices its foreign customers in US dollars and recognizes a foreign exchange gain (loss) when the Canadian dollar amount of the receivable at period end, or the amount received in the period, is greater (less) than at the time of invoicing.

Provision for Income Taxes

The basic rate of 26.50% was applied to the pre-tax income in the 2017 third quarter (2016 – 26.50%), resulting in a deferred income tax expense of \$47,000 (2016 - \$75,597) and current income tax expense of \$33,238 (2016 - \$45,000).

The Company has losses of approximately \$1,411,000 from prior periods available for carry forward to reduce future years' income for tax purposes. These losses will expire between 2028 and 2035 if not used. The Company also has available investment tax credits (ITCs) of approximately \$1,000 to reduce future income taxes payable, expiring in 2020. All of these items have been recognized in the Deferred Tax asset on the Company's Balance Sheet.

As a result of recognizing deferred income tax expense of \$47,000 in the third quarter, \$59,000 in the second quarter and \$36,000 in the first quarter of 2017, at July 31, 2017, the Company had tax assets totaling \$383,000 (October 31, 2016 – \$525,000). The amount of the deferred tax asset is based on management's best estimate of probable future taxable income and is subject to a degree of measurement uncertainty. Prior to fiscal 2014, management concluded that estimates of future taxable income did not meet the probability requirement to recognize any deferred tax assets given the liquidity risks that created a going concern uncertainty. The repayment of the Company's debenture in fiscal 2014 and reduction in the secured debt to \$nil in fiscal 2015 has eliminated interest expense going forward. The Company has also generated net taxable income in six of the last seven years. These facts, along with management's expectations regarding future profitability have all factored into the estimate of deferred tax assets that are probable of recovery.

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income after tax for the three months ended July 31, 2017 was \$224,407 as compared to income of \$323,531 in the three months ended July 31, 2016.

| Three months ended July 31, | | |
|-----------------------------|---------|---------|
| | 2017 | 2016 |
| | \$ | \$ |
| Comprehensive income | 224,407 | 323,531 |
| Income per share: | | |
| Basic | 0.01 | 0.01 |
| Diluted | 0.01 | 0.01 |

For the three months ended July 31, 2017, the weighted average number of shares outstanding used to calculate basic income per share was 27,286,332 (2016 – 27,286,332).

Nine months ended July 31, 2017 compared to Nine months ended July 31, 2016

Revenue

| | 2017 | 2016 | Change | Change % |
|--|-----------|-----------|-----------|----------|
| | \$ | \$ | \$ | |
| Hosted services, maintenance and product support | 1,769,760 | 1,203,535 | 566,225 | 47.0% |
| Licences | 320,204 | 495,204 | (175,000) | -35.3% |
| Professional services | 107,046 | 69,347 | 37,699 | 54.4% |
| | 2,197,010 | 1,768,086 | 428,924 | 24.3% |

Revenues in the nine months ended July 31, 2017, increased in comparison to the same period in the prior year. The Company's total sales for the nine months ended July 31, 2017, were \$2,197,010 as compared to \$1,768,086 for the corresponding period in 2016, an increase of \$428,924 or 24.3%. As the Company continues to expand upon the "software-as-a-service" model, the sales cycle is shortening and the service is paid monthly.

The Company generates software revenue from Cirreon hosted services and from the sale of license agreements to use its software products, upgrading existing license holder's systems, training, consulting and from recurring revenues for maintenance and product support. The majority of the Company's licensed systems customers renew their product support agreements annually, in order to stay current with new features and developments. A small number of Cirreon license agreements have been granted to distributors where the product has been customized to meet the needs of the distributor's clients. Such licenses are for definitive periods and are for defined usage with normal "SaaS" monthly fees.

Recurring revenue, including maintenance, product support and hosted services (SaaS) revenue for the nine months ended July 31, 2017 represented \$1,769,760 of the total revenue compared to \$1,203,535 for the corresponding nine months the previous year, an increase of \$566,225 or 47.0%. Recurring revenue represented 80.6% of total sales revenue in the nine months ended July 31, 2017, as compared to 68.1% in the same nine months of fiscal 2016.

Currency Controller license fees for the nine months ended July 31, 2017, were \$304,665 compared to \$312,960 for the 2016 comparative period. Cirreon license fees for the nine months ended July 31, 2017, were \$15,539 compared to \$182,244 for the 2016 comparative period.

In the first three-quarters of 2017, revenue related to upgrading existing systems of \$107,046 represents an increase of \$43,708 compared to \$63,338 from the corresponding period in 2016. Consulting revenue in the first three-quarters of 2017 was \$nil compared to \$6,009 in the first three-quarters of 2016.

Cost of Goods Sold and Gross Profit

Nine months ended July 31, 2017 compared to Nine months ended July 31, 2016

Historically, the sales mix between software license fees, hosted products and royalties impact the Company's Gross Profit in any given reporting period. Gross Profit can also be affected by changes in the exchange rate between Canadian and U.S. dollars, given that U.S. sales represent more than 90% of total sales.

Cost of goods sold for the nine months ended July 31, 2017 was \$617,132 compared to \$475,128 in the corresponding period in 2016. The overall Gross Profit achieved in the first three-quarters of 2017 was \$1,579,878 or 71.9%, compared to Gross Profit for the corresponding period in 2016 of \$1,292,958 or 73.1%, a decrease in Gross Margin percentage of 1.2 percentage points.

Selling Expenses

Nine months ended July 31, 2017 compared to Nine months ended July 31, 2016

Selling expenses are comprised of direct selling and marketing expenses and the salaries of employees whose principal function is sales and marketing. Selling expenses for the nine months ended July 31, 2017, totaled \$153,025, a decrease of \$2,158 or 1.4% from \$155,183 in the corresponding period of 2016. This decrease is mostly because of lower travel and trade show attendance costs. Selling expense was 7.0% of revenue in the first three-quarters of 2017 as compared to 8.8% in the 2016 same three-quarters, recognizing that revenues in the 2017 period were up \$428,924 or 24.3% from the 2016 comparative period.

General and Administration Expenses

Nine months ended July 31, 2017 compared to Nine months ended July 31, 2016

General and administration ("G&A") expense consists primarily of salaries, benefits and overhead expenses, corporate maintenance charges, occupancy, professional fees and travel.

G&A expense totaled \$368,191 in the nine months ended July 31, 2017 as compared to \$286,306 in the 2016 comparative period, an increase of \$81,885 or 28.6%.

Staffing and management costs were higher by \$91,293 with compensation increases for administrative personnel, corporate directors and key management. Various other G&A expenses, in aggregate, decreased period-over-period by \$9,408.

Depreciation for the nine months ended July 31, 2017, of \$2,273 increased by \$474 or 26.3% from \$1,799 in the same period of 2016. The level of amortization is a result of the Company incurring only minor expenditures for intellectual assets and property and equipment over the last several years.

With the increase in sales, as noted above, and the increase in G&A expenses, the G&A expense ratio as compared to revenue was 16.8% in the first three-quarters of 2017 as compared to 16.2% in the 2016 first three-quarters.

Financing and Other Costs

Other than trade and other payables, and income taxes payable, the Company has no debt outstanding and incurred no interest expense in respect of outstanding debt in the current or comparative period.

Loss (gain) on foreign exchange

The Company recognized a loss on foreign exchange of \$78,066 in the first three-quarters of 2017, whereas a gain of \$9,275 was experienced in the comparative three-quarters of 2016. This results in a decrease in income of \$87,341 in 2017 as compared to the 2016 same period. The loss on foreign exchange recognized in the nine months ended July 31, 2017, is a result of both the large number of clients that are domiciled in the USA, which are invoiced for services in US dollars, along with the appreciation in the Canadian dollar vis-à-vis the US dollar occurring during the three-quarters. The Company invoices its foreign customers in US dollars and recognizes a foreign exchange gain (loss) when the Canadian dollar amount of the receivable at period end, or the amount received in the period, is greater (less) than at the time of invoicing.

Provision for Income Taxes

The basic rate of 26.50% was applied to the pre-tax income in the 2017 first three-quarters (2016 – 26.50%), resulting in a deferred income tax expense of \$142,000 (2016 - \$186,000) and current income tax expense of \$117,559 (2016 - \$45,000).

The Company has losses of approximately \$1,411,000 from prior periods available for carry forward to reduce future years' income for tax purposes. These losses will expire between 2028 and 2035 if not used. The Company also has available investment tax credits (ITCs) of approximately \$1,000 to reduce future income taxes payable, expiring in 2020. All of these items have been recognized in the Deferred Tax asset on the Company's Balance Sheet.

As a result of recognizing deferred income tax expense of \$142,000 in the first three-quarters of 2017, at July 31, 2017, the Company had tax assets totaling \$383,000 (October 31, 2016 – \$525,000). The amount of the deferred tax asset is based on management's best estimate of probable future taxable income and is subject to a degree of measurement uncertainty. Prior to fiscal 2014, management concluded that estimates of future taxable income did not meet the probability requirement to recognize any deferred tax assets given the liquidity risks that created a going concern uncertainty. The repayment of the Company's debenture in fiscal 2014 and reduction in the secured debt to \$nil in fiscal 2015 has eliminated interest

expense going forward. The Company has also generated net taxable income in six of the last seven years. These facts, along with management's expectations regarding future profitability have all factored into the estimate of deferred tax assets that are probable of recovery.

Related Party Transactions

The following summarizes the Company's related party transactions:

- a) Rent and administration expenses in the amount of \$31,800 (2016 - \$28,170) and management fees of \$30,000 (2016 - \$nil) were incurred in the nine months ended July 31, 2017, from a company that is partially owned by the CEO of the Company. In addition, consulting expenses for sales and marketing in the amount of \$33,750 were incurred in the nine months ended July 31, 2017 (2016 - \$33,750) from a company that is controlled by the Founder of NamSys.
- b) Included in trade and other payables at July 31, 2017, are amounts due to directors of \$17,500 (October 31, 2016 – \$5,200); and an amount due to a company that is partially owned by the CEO of the Company of \$15,000 (October 31, 2016 - \$nil). The related party amounts included in trade and other payables are unsecured and non-interest bearing.

Comprehensive Income and Income Per Share

As a result of the factors discussed above, the comprehensive income for the nine months ended July 31, 2017 was \$721,037 as compared to income of \$629,744 in the nine months ended July 31, 2016.

Nine months ended July 31,

| | 2017 | 2016 |
|----------------------|---------|---------|
| | \$ | \$ |
| Comprehensive income | 721,037 | 629,744 |
| Income per share: | | |
| Basic | 0.03 | 0.02 |
| Diluted | 0.03 | 0.02 |

For the nine months ended July 31, 2017, the weighted average number of shares outstanding used to calculate basic income per share was 27,286,332 (2016 – 27,286,332).

Liquidity and Capital Resources

General

The Company has historically funded its activities through cash flow from operations, the issuance of debt and the sale of shares, warrants and convertible debentures. During the most recent five year period ended October 31, 2016, the Company funded all capital expenditures, operations and debt reduction from a combination of cash flow from operations, the sale of preferred shares, and the renegotiation of its secured debt and debenture.

Notwithstanding Management's strong belief that the trends in the marketplace with respect to the Company's products are positive and improving, there can be no assurance that third party funding will be available in the future on terms acceptable to the Company.

Cash Flow from Operations

The Company had working capital of \$1,746,500 at July 31, 2017, compared to working capital of \$664,739 at October 31, 2016. Excluded from the July 31, 2017, working capital calculations are: prepaid expenses of \$82,891 (October 31, 2016 – \$31,142); and deferred revenue of \$402,142 (October 31, 2016 – \$127,856).

For the nine months ended July 31, 2017, the Company had cash flow from operations of \$777,139 as compared to cash flow from operations of \$806,374 in the nine months ended July 31, 2016. The decrease in cash flow from operations is primarily the result of the change in trade and other receivables, trade and other payables and prepaid expenses in the first three-quarters of 2017 versus the 2016 period.

BALANCE SHEET

Trade and Other Receivables

At July 31, 2017, the company had trade and other receivables of \$618,152 (October 31, 2016 - \$348,416). The amount of receivables over 90 days past due, at July 31, 2017, is \$243,010 (October 31, 2016 - \$80,454). The increase is a result of administrative issues in the accounts payable function at two of the Company's larger clients, not collectability problems that would result in impairment of the receivables. As such, the Company believes no provision for doubtful accounts is required at this time.

Plant and Equipment

Plant and equipment are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

| | |
|------------------|-----------------------|
| Office equipment | 20% declining balance |
|------------------|-----------------------|

Plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recovered. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its recoverable amount.

In fiscal year 2015, the Company wrote-off intellectual assets, with a carrying value of \$19,428, associated with a technology for which patent protection is no longer being pursued.

Deferred Income Tax Asset

In the nine months ended July 31, 2017, the Company recognized a deferred income tax expense of \$142,000 and, as a result, at July 31, 2017, the Company had tax assets totaling \$383,000 (October 31, 2016 – \$525,000). The amount of deferred tax asset is based on management's best estimate of probable future taxable income and is subject to a degree of measurement uncertainty. Prior to 2014, management concluded that projection of future taxable income did not meet the probability requirement to recognize any deferred tax assets given the liquidity risks that created a going concern uncertainty. The repayment of the

Company's debenture and issuance of the NamSys preference shares in fiscal 2014, reduction of the secured debt in 2015, along with the recent financial performance, resulted in a change in this estimate. The key assumption in this estimate is the amount of future taxable income that management has concluded is probable to occur.

Financing Agreements

Other than trade and other payables, and income taxes payable, the Company has no debt outstanding.

On October 29, 2014, NamSys issued 10,000 First Preference Shares, Series V at a price of \$100 per share for total proceeds of \$1,000,000. The Company incurred share issue costs of \$6,000 with respect to this financing along with a \$20,000 guarantee fee for total net proceeds of \$974,000. Cencotech Inc. did not participate in this financing and as such the entire share issuance was subscribed by non-controlling interests. The NamSys Series V preference shares were non-voting and had a fixed cumulative preferential dividend at an annual rate of \$8.00 per share, payable quarterly if declared. NamSys had the option to redeem the shares for \$100 per share at a rate not greater than 4,000 shares per year. NamSys declared and paid dividends of \$44,000 in fiscal year 2016 (2016 - \$72,164). On May 1, 2015, NamSys redeemed 2,000 Series V preference shares for a total of \$200,000. On both February 1 and April 29, 2016, NamSys redeemed 2,000 Series V preference shares for a total of \$400,000, leaving a balance of 4,000 shares outstanding. On October 28, 2016, NamSys redeemed the remaining 4,000 shares for a total of \$400,000, leaving no Series V preference shares outstanding.

Contractual Obligations

A summary of the Company's contractual obligations, at July 31, 2017:

| | Total | Less than 1 year | 1 to 5 years |
|--------------------------|---------|---------------------|--------------|
| | \$ | \$ | \$ |
| Trade and other payables | 191,641 | 191,641 | - |
| Income taxes payable | 78,887 | 78,887 | - |
| Premises lease | 110,340 | 81,060 | 29,280 |
| | 380,868 | 351,588 | 29,280 |

Capital Expenditures

The Company's primary capital expenditure activities in the past involved the acquisition of deferred development of technology, property, plant and equipment purchases and capital investments into intellectual property. During the first three-quarters of 2017, capital expenditures were \$6,086 as compared to \$4,827 in 2016.

Summary of Significant Accounting Policy Choices or Changes under IFRS

The Company's significant accounting policies have been disclosed in Note 2 of the financial statements.

Foreign currency translation

The Company has continued to use Canadian dollars as the Company's presentation currency. IFRS requires the assessment of functional currency for the parent and each subsidiary. The functional currency for both the Cencotech and post-amalgamation NamSys Inc. were determined to be Canadian Dollars.

Plant and equipment

The Company has elected to continue to use an historic cost model in reporting its plant and equipment.

The impairment model used for non-financial assets differs from the model previously used under Canadian GAAP. However, management concluded that there was no impairment in the current and comparative period under both models.

Income taxes

Income tax expense is recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in net income (loss) in the period in which the change is substantively enacted.

Adoption of Accounting Standards

During the period, the Company did not adopt any new accounting standards.

Recent Accounting Pronouncements

Certain new standards and pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after October 31, 2016. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following pronouncements and standards have not yet been adopted and are being evaluated to determine the resultant impact on the Company:

IFRS 9 – Financial Instruments

During 2014, the IASB issued the complete version of IFRS 9. Under the finalized guidance, IFRS 9 specifies that financial assets be classified into one of three categories: financial assets measured at amortized cost, financial assets measured at fair value through

profit or loss or financial assets measured at fair value through other comprehensive income. IFRS 9 introduces changes to measuring an entity's own credit risk in the valuation of financial liabilities. The final standard also introduces a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements that align more closely with an entity's risk management model. IFRS 9 will be mandatorily effective for the Company's fiscal year beginning on November 1, 2018, and early adoption is permitted. The Company will continue to monitor developments and assess the financial impact of this new standard.

IFRS 15 – Revenue from Contracts with Customers

During 2014, the IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for the Company's fiscal year beginning November 1, 2018, with earlier adoption permitted.

IFRS 16 – Leases

In 2016, the IASB issued its new leasing standard. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as previously required by IAS 17. Instead, it introduces a single lease accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and to depreciate the lease assets separately from interest on the lease liabilities on the income statement. IFRS 16 will be effective for the Company's fiscal year beginning November 1, 2019, with earlier adoption permitted if the entity also adopts IFRS15.

The Company continues to monitor IASB ongoing activity and proposed changes to IFRS. Several accounting standards that are in the process of being amended by the IASB (i.e. leases and conceptual framework and annual updates) which may have an impact on the Company's future financial statements.

Additional Information

Additional information relating to the Company including the interim and annual financial statements are available on SEDAR at www.sedar.com.

Outstanding Share Data

Summary of securities issued and outstanding as at July 31, 2017

| <u>Class</u> | <u>Authorized</u> | <u>Issued and Outstanding</u> |
|--------------|-------------------|-------------------------------|
| Common | Unlimited | 27,286,332 |

No common shares are reserved for issuance with respect to Options granted under the Company's stock option plan as at July 31, 2017.

Employee Long Term Bonus Plan

On June 29, 2015, both the Directors of the Cencotech and NamSys passed concurrent resolutions establishing Employee Long Term Bonus Plans (the "Plans"). The purpose of the Plans is to compensate and reward employees and officers, as determined at the sole discretion of the Directors, upon the occurrence of one of the following events:

- i) all or substantially all of the assets of NamSys are sold, or otherwise transferred, to an arm's length third party; or
- ii) all or substantially all of the common shares of NamSys, held by Cencotech, are sold, or otherwise transferred, to an arm's length third party; or
- iii) more than 50% of the common shares of Cencotech are sold, or otherwise transferred, to an arm's length party.

On the occurrence of one of the above noted change of control events, Cencotech or NamSys will cause an aggregate of 15% of the transaction consideration to be payable to the employees and officers, as determined by the Directors, at that time. As of the balance sheet date of July 31, 2017, the Company does not envision a change of control event occurring within the foreseeable future.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management team. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at July 31, 2017, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company would have been known to them. Through the evaluation of the design of its internal controls the Company has identified an internal control weakness in the financial reporting process, specifically a lack of segregation of duties in the accounting process. This situation is common to many small companies. While this deficiency in segregation of duties could lead to a material misstatement in the financial statements, other checks and balances are in place, as noted below, and no such misstatement has occurred.

Management believes it has remedied the above noted control weakness by enhancing the review of the accounting process. In order to mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight, and interim and annual financial statements are reviewed by the Company's board.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are useful lives and impairment of plant and equipment, probable future taxable income, probable change in control event occurring, recoverability of deferred

income tax assets, and functional currency of the Company. Actual results could differ from those estimates.

Investor Relations

Personnel employed directly by the Company handle all investor relations. The duties include news releases, investor communications and general day to day operations of this department.

Legal Proceedings

There are no outstanding legal proceedings.

Environmental Issues

Given the nature of the Company's business, there are no material environmental issues.

Risk Factors

Seasonality and Inflation

Although the Company's sale cycle is quite lengthy, sales of the Company's products are generally not seasonal. Inflation, in recent years, has not adversely affected the Company's results of operations and unless inflation increases substantially is not expected to adversely affect the Company in the future.

Market Risks

Market risks represent the risk of loss that may impact the financial statements of the Company due to adverse changes in financial market prices and rates. The Company's market risk is primarily the result of fluctuations in interest rates and in foreign currency values, particularly the United States dollar. Management monitors the movement in interest rates and currency exchange rates and, on that basis, decides on the appropriate measures to take. Interest rates and exchange rates at the present time are such that no measures are being taken at this time.

The Company does not hold or issue financial instruments for trading purposes.

Market Condition Risks

The Company's products are sold to large participants in the currency management marketplace including banks, currency providers, retail service providers and in turn their retail clients. While these participants are interested in improving their efficiency in managing and handling currency, economic uncertainty could cause them to restrict capital budgets required to bring this efficiency to their operations. Further, the merger and acquisition activity in the financial services sector at the present time creates both an opportunity and risk for suppliers to the industry. When two banks merge, the continuing entity usually selects one technology provider for a given function. Our experience in the past would suggest that the provider with the largest installed base in the combined entity will replace the provider with the smaller

installed base, predicated upon a smaller cost of conversion rather than ultimate efficiency of one service versus another. The good news, however, is that currency management and handling systems are absolutely required by the surviving entity.

While retailers may not be prepared to make capital acquisitions of sophisticated cash and coin handling systems, the major currency providers and carriers have for the last few years been transitioning their business to the provision of a complete turnkey service as opposed to merely transporting currency to and from retail establishments. Our “SaaS” Cirreon technology for this market is leading edge and has been adopted by the largest of these currency transport and providers.

Financing Risk

There is limited risk associated with the Company’s ability to secure additional financing.

Dependence on Management

The Company’s success is dependent on its founders, directors and management team. The loss of the services of key personnel could make it more difficult to successfully operate the Company’s business and pursue its business goals.

Competition Risk

The Company’s business is in a competitive market and it competes with companies that have greater resources, experience and market stature. However, our products are considered by the marketplace to be “state-of-the-art” and the stature of our distributor marketing partners mitigate the competitive risk.

Product Performance and Availability Risk

The Company’s products are tested extensively and must meet certain quality assurance tests prior to delivery to customers. However, many of the products sold to the market utilize subassemblies produced by other manufacturers. Product failures or lack of availability can result in a number of risks to the business including: market reputational risks and warranty/cost of goods expense risks.

Market for Securities

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the trading symbol “CTZ”.

Toronto, Ontario
September 25, 2017