

Management's Discussion and Analysis

For the six month period ended June 30, 2013

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis (MD&A) is current to August 23, 2013 and is management's assessment of the operations and the financial results together with future prospects of Eurocontrol Technics Group Inc. ("Eurocontrol" or the "Company"). This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2013 and 2012 and notes thereto and the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011 and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Eurocontrol's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information relevant to Eurocontrol's activities, including Eurocontrol's press releases can be found on SEDAR at www.sedar.com.

BUSINESS OVERVIEW AND STRATEGY

Eurocontrol is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "EUO". The Company participates in the energy security and authentication, verification and certification markets globally. Eurocontrol has three wholly owned subsidiaries: Global Fluids International S.A. ("GFI"), Xenemetrix Inc. ("Xenemetrix") and XwinSys Ltd. ("XwinSys"). GFI and Xenemetrix are global pioneers in developing and implementing innovative molecular marking systems for the oil industry. Through its proprietary Petromark™ integral system, GFI has developed a four-part solution consisting of a molecular marker, injection, monitoring and control components. Such oil industry cost realities along with GFI's 10-year R&D efforts to create its industry-leading marking solutions, along with access to capital provided by Eurocontrol will allow management to pursue numerous anticipated oil marking opportunities. XwinSys is currently developing technology and intellectual property that will combine 2D and 3D image processing technology, from Brossh Inspection Systems Ltd. of Israel, with Xenemetrix's Energy-Dispersive X-ray Fluorescence ("EDXRF") technology.

LEADERSHIP TEAM

- W. Bruce Rowlands - Chairman, President and Chief Executive Officer
- James Fairbairn – Director
- Gadi Gonen – Director and Chief Operating Officer
- Charlotte May – Corporate Secretary
- General (Retired) Sir Michael Rose - Director
- Andres Tinajero – Chief Financial Officer
- Kenneth Wawrew - Director
- Paul Wood - Director
- Dr. Eli Zahavi - Director

Full biographies for the board and management are available at www.eurocontrol.ca.

RECENT DEVELOPMENTS AND OUTLOOK

The Company continues to expand its global network and presence and to source marketing and distribution partnerships with new and well established distributors in all parts of the world. GFI has numerous opportunities developing in Africa, Europe and Asia where it anticipates being the technology provider to new hydrocarbon marking programs in these regions. Xenemetrix remains focused on the

development of new applications for its EDXRF and establishing new marketing and distribution agreements in various regions. Xenometrix's new PetroMarine™ technology is a good example of combining technologies into one device – strong interest has been generated in the shipping industry since the introduction of this new technology in February 2013.

The Company is focused on the acquisition, development and commercialization of innovative energy security, authentication, verification, and certification technologies. Specifically, as announced on May 1, 2012, the Company closed the acquisition of all of the issued and outstanding common and preferred shares of XwinSys for a consideration of 5,000,000 common shares of the Company. XwinSys is a private company located in Israel that is developing inspection systems for the semiconductor industry. XwinSys is currently working with the Beta version of the technology in a clean room specifically built for this purpose. The technology will combine 2D and 3D image processing technology from Brossh Inspection Systems Ltd. of Israel with Xenometrix's EDXRF technology. The 2D and 3D imaging will be used for surface scanning of wafers and electronic boards used in semiconductors, while the EDXRF technology will be used for elemental analysis of the materials that comprise the wafers and electronic boards. Combining technologies as well as identifying new applications for existing technologies will expose the Company, through XwinSys, to the semiconductor industry first, with additional applications verticals in the future. Further diversify the Company's platform of authentication, verification and certification technologies.

On August 15, 2013, The Company announced the commencement of a pilot project through its wholly owned subsidiary Xenometrix with one of the largest container shipping companies in the world with headquarters in Israel. The pilot project involves the installation of Xenometrix's new Petro-Marine XRF™ monitoring system at the Collaborator's hub in its main port. The Collaborator will operate the system to serve its managed fleet in excess of 100 marine vessels. This pilot program will allow Xenometrix to field test its onboard solution and afford the Collaborator early access to this state-of-art technology. Upon successful completion of the pilot project the Collaborator will consider implementing Xenometrix's solution at seven of its shipping hubs worldwide.

Petro-Marine XRF™ is an onboard or hub-based X-Ray Fluorescence analysis and monitoring solution that facilitates regular and timely compliance of marine vessels with new and existing international regulations, and enhances the preventive maintenance process – leading to significant operational cost savings. The XRF system analyzes and monitors sulfur levels in marine fuels, Cat Fines during bunkering of the ship and before actual fuel usage, sea water contamination in fuels and wear metals and additives in lubricant oils. This allows for regulatory compliance, uninterrupted engine operation, predictable maintenance schedules and prevention of major engine failure. The target market for the Petro-Marine XRF™ system is merchant ships of which there are approximately 55,000 currently in service worldwide including bulk carriers, dry cargo vessels, multi-purpose vessels, container vessels, tankers, liquid petroleum gas, liquid natural gas and most cruise ships, providing the Company with an available market approximating US\$1.6 billion.

On October 1, 2012, the Company announced it has signed a five year contract extension with the Ministry of Energy and Mineral Development, Government of the Republic of Uganda for the continued deployment of the Company's Petromark™ technology in the territory. This contract is an extension to a previous national contract held by Eurocontrol/GFI since 2008 and now covers a wider scope of services including all local logistics in Uganda.

As announced on May 15, 2012, the Company has been granted a patent by the United States Patent Office entitled "Method and System for Marking and Determining the Authenticity of Liquid Hydrocarbons" (US Patent 8,158,432). The process patent protects GFI's Petromark™ fuel marking technology. Similarly, as announced on July 18, 2012, the Company has been granted a patent by the Israeli Patent Office entitled "Method and System for Marking and Determining the Authenticity of Liquid Hydrocarbons" (Israeli Patent 158679). This is the fifth process patent the Company has been granted. The Company also holds process patents for Petromark™ in India, China and Russia. Additional process patent applications have been submitted in other countries.

SUMMARIZED FINANCIAL RESULTS

The Company recorded a net income of \$107,843 and a net loss of \$315,853 for the three and six months ended June 30, 2013 respectively, compared to a net loss of \$415,245 and \$880,795 for the comparable three and six months ended June 30, 2012. Revenues for the three and six months ended June 30, 2013 amounted to \$1,816,035 and \$3,162,314 respectively, compared to \$1,146,960 and \$2,240,941 for the three and six months and ended June 30, 2012.

Expenses of \$1,349,610 for the second quarter of 2013 increased in comparison with the expenses of \$1,169,193 for the second quarter of 2012. Expenses for the six months ended June 30, 2013 of \$2,823,651 increased in comparison with expenses of \$2,293,382 for the six months ended June 30, 2012. The increase for both the three month period and the six month period is primarily due to share-based compensation expense in the amount of \$151,000 recognized on the granting of 5,112,500 stock options during the first quarter of 2013 (no stock options granted during the first quarter in 2012) and increases in office and general expenses, sales and marketing related expenses and research and development which all increased due to an overall increase in activity in the company and higher sales which increased to \$3,162,314 from \$2,240,941 for the six months ended June 30, 2013 compared to 2012.

The Company also incurred a foreign exchange translation gain of \$102,152 and \$140,485 for the three and six months ended June 30, 2013 respectively, compared to a gain of \$103,476 and \$78,248 respectively for the three and six months ended June 30, 2012. The Company has shareholder loans denominated in US dollars and Euros. The Company's revenue is earned in US dollars. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

Interest expense amounted to \$23,915 and \$47,193 for the three and six months ended June 30, 2013, compared to \$24,492 and \$49,930 for the three and six months ended June 30, 2012, mainly related to GFI's shareholder loans, payable to the former shareholders of GFI. As the balance of these loans decreases, the amount of interest expense is expected to decrease.

SELECTED ANNUAL INFORMATION

The information below should be read in conjunction with the management's discussion and analysis, the consolidated financial statements and related notes and other financial information. The following is for the periods ended:

	Six Months Ended June 30, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	\$	\$	\$
Total revenue	3,162,314	5,008,040	5,399,601
Loss	315,853	1,367,732	2,409,670
Loss per share	0.00	0.02	0.03
Total assets	9,184,103	8,247,321	8,948,077

SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information for each of the Company's eight most recently completed quarters:

	Q2 2013	Q1 2013	Q4 2012	Q3 2012
	\$	\$	\$	\$
Revenue	1,816,035	1,346,279	1,625,040	1,142,059
Cost of sales	(427,182)	(312,198)	(113,161)	(127,155)
Gross profit	1,388,853	1,034,081	1,511,879	1,014,904
Expenses	1,349,610	1,474,041	1,477,749	1,215,099
Other expense (income)	1,298	(1,648)	(8)	(6)
Provision for HST recoverable	-	-	300,000	-
Interest expense	23,915	23,278	23,168	23,694
Foreign exchange loss (gain)	(102,152)	(38,333)	82,814	(127,258)
Income taxes expense (recovery)	8,339	439	7,736	10,732
	1,281,010	1,457,777	1,891,459	1,122,261
Net income (loss)	107,843	(423,696)	(379,580)	(107,357)
Basic and fully diluted loss per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.00)
Total assets	9,184,103	7,910,139	8,247,321	8,050,359

	Q2 2012	Q1 2012	Q4 2011	Q3 2011
	\$	\$	\$	\$
Revenue	1,146,960	1,093,981	1,925,767	1,204,565
Cost of sales	(487,857)	(382,699)	(512,637)	(341,019)
Gross profit	679,103	711,282	1,413,130	863,546
Expenses	1,169,193	1,124,189	1,376,876	1,631,574
Other expense (income)	(14)	(39)	(342)	-
Provision for HST recoverable	-	-	-	-
Interest expense	24,492	25,438	13,564	28,981
Foreign exchange loss (gain)	(103,476)	25,228	(47,802)	10,145
Income taxes expense (recovery)	4,153	2,016	3,434	(7,754)
	1,094,348	1,176,832	1,345,730	1,662,946
Net income (loss)	(415,245)	(465,550)	67,400	(799,400)
Basic and fully diluted loss per share	\$ (0.00)	\$ (0.01)	\$ 0.00	\$ (0.01)
Total assets	8,263,751	8,279,038	8,948,077	9,558,718

Disclosure of Outstanding Share Data as of August 23, 2013

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	89,160,738 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 6,962,500 common shares b) 15,154,665 Warrants exercisable to acquire common shares of the Company

See note 14 to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2013 and 2012 for more detailed disclosure of outstanding shares data.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, amounts receivables, loan receivable, accounts payable and accrued liabilities, shareholder loans and loan payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Assessment of Recoverability of Deferred Income Tax Assets

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the deferred income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

Estimate of Stock Based Compensation and Associated Assumptions

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This valuation required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 17 of the June 30, 2013 unaudited interim condensed consolidated financial statements for a full disclosure.

Assessment of Recoverability of Receivables

The carrying amount of amounts receivable, are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

CARRYING VALUE OF BALANCE SHEET ITEMS

Deferred development costs of \$398,730 as at June 30, 2013 (December 31, 2012 - \$521,578) represent fuel marker and analyzing equipment technology development costs that have been deferred and are being amortized over 10 years (life of the technology rights) and three years (life of the equipment), respectively. As of June 30, 2013, the equipment has been fully amortized.

Technology rights that were purchased as part of the prior 100% acquisitions of GFI and Xenometrix have attributed values of \$7,844,267 and \$892,184, respectively. License of markers and detectors from GFI are amortized over 10 years on a straight line basis. Amortization of License of markers and detectors was charged to operations in the amounts of \$231,038 and \$462,077 for the three and six months ended June 30, 2013 respectively (\$227,969 and \$455,940 for the three and six months ended June 30, 2012). As at June 30, 2013, the carrying value of the technology rights is \$3,116,792 (December 31, 2012 - \$3,578,868).

Intellectual property that was purchased as part of the 100% acquisition of XwinSys described above has an attributed value of \$349,568 which together with additions of \$7,607 for the six month period ended

June 30, 2013 results in the total amount of \$357,175. As at June 30, 2013, the carrying value of the intellectual property is \$357,175 (December 31, 2012 - \$349,568).

Total accounts payable, accrued liabilities, and shareholder loans amounted to \$4,147,780 as at June 30, 2013 (December 31, 2012 - \$3,041,202). The shareholder loans amounted to \$1,514,737 (December 31, 2012 - \$1,552,189) and are due to the former shareholders of GFI who advanced funds to GFI prior to its acquisition by the Company. The shareholder loans consist of two amounts:

- Principal of €500,000 (\$684,549) (December 31, 2012 - €500,000 (\$655,900)) and accrued interest of €349,435 (\$477,242) (December 31, 2012 - €320,059 (\$419,853)) loaned by the former shareholders of GFI in order to post the bid bond in a tender, managed by EMRA (Energy Market Regulatory Authority, a statutory regulatory entity of the Turkish Government). This portion of the shareholder loans is reimbursed by first priority from the earlier of: (i) the results of the legal proceedings with EMRA; and/or (ii) the first income generated by GFI. This portion of the loans payable bears an annual interest rate of 7.2%.
- Principal of US\$850,000 (\$894,030) (December 31, 2012 - US\$850,000 (\$845,665)) and accrued interest of US\$371,130 (\$390,355) (December 31, 2012 - US\$364,118 (\$362,261)). This portion of the shareholder loans will be repaid through 25% of the income generated by contracts of GFI. As at June 30, 2013, the Company repaid US\$885,567 (\$931,439) (December 31, 2012 - US\$735,239 (\$731,490)). This portion of the loans payable bears an annual interest rate of 5.0%.

LIQUIDITY AND CASH FLOWS

The Company ended the first quarter of 2013 with cash of \$3,462,378, compared to \$1,582,030 as at December 31, 2012. The Company had working capital of \$987,771 as at June 30, 2013 compared to working capital of \$567,091 as at December 31, 2012.

Cash provided from operating activities was \$1,907,624 during the six month period ended June 30, 2013 compared to cash provided from operating activities of \$42,937 during the six month period ended June 30, 2012. Changes to cash flows from operating activities primarily relate to higher sales revenues during the period.

Cash used in investing activities was \$22,024 during the six month period ended June 30, 2013 compared to the use of \$20,563 during the six month period ended June 30, 2012. Investing activities mainly relate to equipment and intangible asset acquisitions and disposals and loans.

Cash used in financing activities was \$150,351 during the six month period ended June 30, 2013 compared to cash used in financing activities of \$195,373 during the six month period ended June 30, 2012. Financing activities mainly relate to the repayment of the shareholder loans and financings through private placements. The decrease is due to repayments of shareholder loans made during the six month period ended June 30, 2013 of \$150,351 and repayments made during the six month period ended June 30, 2012 of \$201,053.

TRANSACTIONS WITH RELATED PARTIES

General and administration

For the six months ended June 30, 2013, the Company was charged \$nil (2012 - \$22,500) by a corporation for which a director of the Company is the Executive Chairman. This company provides administrative and promotional services, which were recorded in consulting and management services.

Shareholder loans

For the six months ended June 30, 2013, \$47,193 (2012 - \$48,847) in interest was charged on the shareholder loans as described in note 13 of the unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2013.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the year were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Short-term compensation and benefits	\$ 145,250	\$ 124,941	\$ 293,500	\$ 174,714
Share-based payments	-	-	126,000	-
	\$ 145,250	\$ 124,941	\$ 419,500	\$ 174,714

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- **Assets' carrying values and impairment charges** - In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- **Impairment of technology rights, deferred development and intellectual property assets** - While assessing whether any indications of impairment exist for technology rights, deferred development costs and intellectual property asset, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable of such assets. Internal sources of information include the manner in which technology rights and deferred development assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's technology rights, deferred development and intellectual property assets, costs to sell the assets and the appropriate discount rate.
- **Share-Based Payments** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate

performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- **Income taxes** - The Company must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to the Company's financial position and results of operations.

RISKS AND UNCERTAINTIES

The Company, through its two wholly owned subsidiaries GFI and Xenemetrix, is one of the world's pioneers in developing and implementing innovative molecular marking systems for the oil industry. The Company's ability to continue to generate revenue and achieve positive cash flow in the future is dependent upon various factors, including the level of market acceptance of its products, the degree of competition encountered by the Company, technology risks, general economic conditions, and the stability of foreign governments and regulatory requirements. Moreover, it is also possible that new competitors will enter the marketplace. The Company's future performance depends in part upon attracting and retaining key technical, sales and management personnel. There can be no assurance that the Company can retain these personnel. As such, new competitors or the loss of the services of the Company's key employees could potentially have a material adverse effect on the Company's business, operating results and financial condition.

COMMITMENTS AND CONTINGENCIES

In January 2012, a lawsuit for approximately US\$100,000 was filed against the Company by a supplier for services it alleges were received by the Company but not paid for. In the opinion of management, this lawsuit has no merit and the ultimate disposition of this lawsuit will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows.

FINANCIAL INSTRUMENTS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

The Company's credit risk is primarily attributable to cash and amounts receivable. Financial instruments included in amounts receivable consist primarily of receivables due from customers. The Company currently transacts with highly rated counterparties for the sale of its marking systems. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2013, the Company had a cash balance of \$3,462,378 (December 31, 2012 - \$1,582,030) to settle current liabilities of \$4,147,780 (December 31, 2012 - \$3,041,202). This amount includes \$1,514,737 (December 31, 2012 - \$1,552,189) in shareholder loans (note 13).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holding cash.

Market risk

(a) Interest rate risk

The Company carries shareholder loans with interest and repayment terms as described in note 13 of the unaudited interim condensed consolidated financial statements..

(b) Foreign currency risk

The functional and reporting currency of the Company is the Canadian dollar. The Company undertakes transactions denominated in foreign currencies, including US dollars and Euros, and as such is exposed to price risk due to fluctuations in foreign exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign exchange risk.

The exposure of the Company's financial assets and liabilities to foreign currency risk as at June 30, 2013 is shown on the following table.

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	\$ 106,767	\$ 3,355,611	\$ -	\$ 3,462,378
Amounts receivable	-	\$ 740,712	-	740,712
Loan receivable	-	\$ 332,057	-	332,057
	\$ 106,767	\$ 4,428,380	\$ -	\$ 4,535,147
Financial liabilities				
Accounts payable and accrued liabilities	\$ 203,965	\$ 2,429,078	\$ -	\$ 2,633,043
Shareholder loans	-	352,946	1,161,791	1,514,737
Loan	-	29,184	-	29,184
	\$ 203,965	\$ 2,811,208	\$ 1,161,791	\$ 4,176,964

A 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net loss by approximately \$22,000 (2012 - \$5,000) based on the foreign currency balances at June 30, 2013.

(c) Price risk

The Company is engaged in the development and implementation of marking systems for various types of oil. As a result, the Company is exposed to price risk with respect to commodity prices, specifically oil. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for oil. Oil prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for oil, the level of interest rates, the rate of inflation, investment decisions by large holders of oil, and stability of exchange rates can all cause significant fluctuations in oil prices. Such external economic factors are in turn influenced by changes in international investment patterns, and monetary systems and political developments.

(d) Political risk

The Company operates mainly in Israel and Africa, and such operations are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism, hostage taking, fluctuation in currency exchange rates, high rates of inflation, labour unrest, the risks of civil unrest, renegotiation or nullification of existing agreements, licenses, permits and contracts, restrictions on foreign exchange and repatriation, and changing political conditions, currency

controls, and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Fair value

The Company has designated cash and amounts receivable classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and shareholder loans are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash, amounts receivable, and accounts payable and accrued liabilities approximates fair value because of the limited term of these instruments.

It is not possible to determine if the shareholder loans are at fair value as there is no comparable market value for such loans.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting Standards issued but not yet applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods. The standards impacted that are applicable to the Company are as follows:

- IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of IFRS 9 on its financial statements.
- IAS 32, *Financial instruments, Presentation* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

Cautionary Note Regarding Forward-looking Information

Except for statements of historical fact contained herein, the information in this press release constitutes "forward-looking information" within the meaning of Canadian securities law. Such forward-looking information may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may", "will" and include without limitation, statements regarding the future operating and financial performance of the Company, the execution of this agreement and its implementation and the impact of this agreement on the performance of the Company. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially, include, among others, competition risks, execution risks, country risks, and lack of a history of profitability. Most of these factors are outside the control of the Company. Investors are cautioned not to put undue reliance on forward-looking information. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

Management's responsibility

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements with management. The Board of Directors has approved the unaudited interim condensed consolidated financial statements on the recommendation of the Audit Committee.

August 23, 2013

W. Bruce Rowlands
Chairman, President and Chief Executive Officer