

Management's Discussion and Analysis

For the year ended December 31, 2012

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis (MD&A) is current to April 30, 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 audited consolidated financial statements for the years ended December 31, 2012 and 2011 and notes thereto, prepared in accordance with International Financial Reporting Standards. 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 Ltd. ("Xenemetrix") and XwinSys Technology Development 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 ten-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. Xenemetrix's new PetroMarine technology is a good example of

combining technologies into one device – good interest has been generated in the shipping industry since the February 2013 introduction of this new technology.

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 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 and should further diversify the Company's platform of authentication, verification and certification technologies.

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 OF FINANCIAL RESULTS

The Company recorded a net loss of \$379,580 and \$1,367,732 for the three months and year ended December 31, 2012, respectively compared to net income of \$124,160 and a net loss of \$2,409,670 for the comparable three months and year ended December 31, 2011. Revenues for the three months and year ended December 31, 2012 amounted to \$1,625,040 and \$5,008,040 respectively compared to \$1,925,767 and \$5,399,601 for the three months and year ended December 31, 2011.

Expenses of \$1,477,749 for the fourth quarter of 2012 remained consistent in comparison with the expenses of \$1,320,116 for the fourth quarter of 2011. Expenses for the year ended December 31, 2012 of \$4,986,230 were lower compared to the expenses of \$5,794,609 for the year ended December 31, 2011 primarily due to share-based compensation expense in the amount of \$462,240 recognized on the granting of 3,210,000 stock options during the year ended December 31, 2011 (no stock options granted for the year ended December 31, 2012) and the decrease in marketing related expenses and research and development.

The Company also incurred a foreign exchange translation loss of \$82,814 and a gain of \$122,692 for the three months and year ended December 31, 2012, respectively compared to a gain of \$47,802 and a loss of \$106,844 for the three months and year ended December 31, 2011, respectively. The Company has shareholder loans denominated in US dollars and Euro. 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 expenses of \$23,168 and \$96,792 for the three months and year ended December 31, 2012, compared to \$13,564 and \$105,973 for the three months and year ended December 31, 2011, 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:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year ended December 31, 2010
	\$	\$	\$
Total revenue	5,008,040	5,399,601	2,914,391
Loss	1,367,732	2,409,670	1,862,040
Loss per share	0.02	0.03	0.03
Total assets	8,247,321	8,948,077	9,930,221

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2012 \$	Q3 2012 \$	Q2 2012 \$	Q1 2012 \$
Revenue	1,625,040	1,142,059	1,146,960	1,093,981
Cost of sales	(113,161)	(127,155)	(487,857)	(382,699)
Gross profit	1,511,879	1,014,904	679,103	711,282
Expenses	1,477,749	1,215,099	1,169,193	1,124,189
Other expense (income)	(8)	(6)	(14)	(39)
Provision for HST recoverable	300,000	-	-	-
Interest expense	23,168	23,694	24,492	25,438
Foreign exchange loss (gain)	82,814	(127,258)	(103,476)	25,228
Income taxes expense (recovery)	7,736	10,732	4,153	2,016
	1,891,459	1,122,261	1,094,348	1,176,832
Net income (loss)	(379,580)	(107,357)	(415,245)	(465,550)
Basic and fully diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Total assets	8,247,321	8,050,359	8,263,751	8,279,038

	Q4 2011 \$	Q3 2011 \$	Q2 2011 \$	Q1 2011 \$
Revenue	1,925,767	1,204,565	1,065,194	1,204,075
Cost of sales	(512,637)	(341,019)	(646,323)	(282,691)
Gross profit	1,413,130	863,546	418,871	921,384
Expenses	1,376,876	1,631,574	1,138,181	1,704,738
Other expense (income)	(342)	-	129	(121)

Interest expense	13,564	28,981	32,758	30,670
Foreign exchange loss (gain)	(47,802)	10,145	72,621	71,580
Income taxes expense (recovery)	3,434	(7,754)	12,034	12,095
	1,345,730	1,662,946	1,255,723	1,818,962
Net income (loss)	67,400	(799,400)	(836,852)	(897,578)
Basic and fully diluted loss per share	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	8,948,077	9,558,718	8,372,882	9,100,233

Disclosure of Outstanding Share Data as of April 30, 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 7,162,500 common shares b) 15,215,065 Warrants exercisable to acquire common shares of the Company

See note 15 to the audited financial statements for the year ended December 31, 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 18 of the December 31, 2012 audited 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 \$521,578 as at December 31, 2012 (December 31, 2011 - \$861,570) represent fuel marker and analyzing equipment technology development costs that have been deferred and are being amortized over ten years (life of the technology rights) and three years (life of the equipment), respectively.

Technology rights that were purchased as part of the 100% acquisition of GFI and Xenemetrix in previous years, have attributed values of \$7,844,267 and \$892,184. 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 \$240,242 and \$924,153 for the three months and year ended December 31, 2012, respectively (\$215,702 and \$899,613 for the three months and year ended December 31, 2011, respectively). As at December 31, 2012, the carrying value of the technology rights is \$3,578,868 (December 31, 2011 - \$4,503,021).

Intellectual property that was purchased as part of the 100% acquisition of XwinSys described above has an attributed value of \$349,568. As at December 31, 2012, the carrying value of the intellectual property is \$349,568.

Total accounts payable, accrued liabilities, deferred revenue and shareholder loans amounted to \$3,041,202 as at December 31, 2012 (December 31, 2011 - \$2,767,312). The shareholder loans amounted to \$1,552,189 (December 31, 2011 - \$1,669,182) and is 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 (\$655,900) (December 31, 2011 - €500,000 (\$659,626)) and accrued interest of €320,059 (\$419,853) (December 31, 2011 - €263,671 (\$347,861)) 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 (\$845,665) (December 31, 2011 - US\$850,000 (\$864,450)) and accrued interest of US\$364,118 (\$362,261) (December 31, 2011 - US\$339,699 (\$345,474)). This portion of the shareholder loans will be repaid through 25% of the income generated by contracts of GFI. As at December 31, 2012, the Company repaid US\$735,239 (\$731,490) (December 31, 2011 - US\$539,065 (\$548,229)). This portion of the loans payable bears an annual interest rate of 5.0%.

LIQUIDITY AND CASH FLOWS

The Company ended the fourth quarter of 2012 with cash of \$1,582,030, compared to \$1,940,872 as at December 31, 2011. The Company had working capital of \$567,091 as at December 31, 2012 compared to working capital of \$585,713 as at December 31, 2011.

Cash provided from operating activities was \$206,591 during the year ended December 31, 2012 compared to the use of \$991,639 during the year ended December 31, 2011. Changes to cash flows from operating activities primarily relate to lower sales and marketing related expenses.

Cash used in investing activities was \$322,427 during the year ended December 31, 2012 compared to the use of \$125,731 during the year ended December 31, 2011. Investing activities mainly relate to equipment acquisitions and disposals and loans. During 2012, the Company provided loans to Uganda.

Cash used in financing activities was \$220,967 during the year ended December 31, 2012 compared to cash provided from financing activities of \$1,245,539 during the year ended December 31, 2011. Financing activities mainly relate to the repayment of the shareholder loans and financings through private placements. The decrease is due to a private placement completed during the year ended December 31, 2011.

TRANSACTIONS WITH RELATED PARTIES

General and administration

For the year ended December 31, 2012, the Company was charged \$nil (year ended December 31, 2011 - \$50,000) 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.

Related party balances

Prior to September 1, 2012, the Company shared its premises with other corporations that had former directors and officers in common. The Company reimburses the related corporations for its proportional share of the expenses. As at December 31, 2012, an amount of \$nil (December 31, 2011 - \$25,425) was included in accounts payable and accrued liabilities. These amounts are non-interest bearing, unsecured with no fixed terms of repayment.

Shareholder loans

For the year ended December 31, 2012 \$96,792 (year ended December 31, 2011 - \$105,973) in interest was charged on the shareholder loans described in note 14 of the audited consolidated financial statements.

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:

	Years	
	ended December 31, 2012	2011
Short-term compensation and benefits	\$ 532,310	\$ 645,551
Share-based payments	-	314,000
	<u>\$ 532,310</u>	<u>\$ 959,551</u>

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, these new competitors and 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 December 31, 2012, the Company had a cash balance of \$1,582,030 (December 31, 2011 - \$1,940,872) to settle current liabilities of \$3,041,202 (December 31, 2011 - \$2,767,312). This amount includes \$1,552,189 (December 31, 2011 - \$1,669,182) in shareholder loans.

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company can't 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. The Company is currently seeking sources of funding to meet short term liabilities, and short term cash requirements.

Market risk

(a) Interest rate risk

The Company carries shareholder loans with interest and repayment terms as described in note 14 of the audited consolidated financial statements. Management believes that interest rate risk is remote as the Company currently does not carry interest-bearing debt at floating rates.

(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 December 31, 2012 are as follows:

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	\$ (6,174)	\$ 1,588,204	\$ -	\$ 1,582,030
Amounts receivable	-	\$ 995,889	-	995,889
Loan receivable	-	\$ 314,094	-	314,094
	<u>\$ (6,174)</u>	<u>\$ 2,898,187</u>	<u>\$ -</u>	<u>\$ 2,892,013</u>
Financial liabilities				
Accounts payable and accrued liabilities	\$ 411,269	\$ 1,077,744	\$ -	\$ 1,489,013
Shareholder loans	-	476,436	1,075,753	1,552,189
Loan	-	34,127	-	34,127
	<u>\$ 411,269</u>	<u>\$ 1,588,307</u>	<u>\$ 1,075,753</u>	<u>\$ 3,075,329</u>

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 \$51,000 (December 31, 2011 - \$70,000) based on the foreign currency balances at December 31, 2012.

(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 risk 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 7 *Financial instruments - Disclosures* ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

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.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of IFRS 10 on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of IFRS 11 on its financial statements.

IAS 12 *Income Taxes* ("IFRS 12") provides amendments to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of IAS 12 on its financial statements.

IFRS 12 *Disclosure of Interest in Other Entities* ("IFRS 12") sets out disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, special purpose vehicles and other

off statements of financial position vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 12 on its financial statements.

IFRS 13 *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of IFRS 13 on its financial statements.

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13. The Company has not yet determined the impact of these amendments on its financial statements.

IAS 1, *Presentation of Financial Statements* ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 1 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 is responsible for all information contained in this report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the consolidated financial statements in all material aspects.

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

April 30, 2013

Bruce Rowlands
Chairman, President and Chief Executive Officer