EUROCONTROL TECHNICS GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010

(In Canadian dollars)

(UNAUDITED)

EUROCONTROL TECHNICS GROUP INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

EUROCONTROL TECHNICS GROUP INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian dollars)

As at:	Notes		September 30, 2011		December 31, 2010
ASSETS					
Current assets					
Cash		$	1,979,129	$	1,779,973
Amounts receivable	7		1,176,799		801,187
Inventories	8		441,693		191,416
Prepaid expenses			47,254		392,311
			3,644,875		3,164,887
Non-current assets					
Property, plant and equipment	9		248,554		161,139
Deferred development costs	10		946,567		1,201,561
Technology rights	11		4,718,722		5,402,634
		$	9,558,718	$	9,930,221
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	13	$	1,402,439	$	1,181,706
Deferred income			255,050		315,682
Shareholder loans	14		1,781,011		1,783,493
			3,438,500		3,280,881
Non-current liabilities					
Loans			58,807		18,497
			3,497,307		3,299,378
Shareholders' equity					
Issued capital	15		13,912,428		12,483,730
Warrants reserve	16		989,910		1,245,273
Commitment to issue shares	17		430,000		430,000
Share-based payment reserve	18		1,154,160		984,960
Deficit			(10,425,087)		(8,513,120)
			6,061,411		6,630,843
		$	9,558,718	$	9,930,221

Basis of Presentation and Going Concern (note 2)

APPROVED ON BEHALF OF THE BOARD:

Signed “STAN BHARTI”, Director

Signed “PIERRE PETTIGREW”, Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements

EUROCONTROLS TECHNICS GROUP INC.

Condensed Consolidated interim Statements of Operations and Comprehensive Loss (unaudited)
(Expressed in Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2011	2010	2011	2010
Revenue		$ 1,204,565	$ 554,256	$ 3,473,834	$ 1,528,439
Costs of sales		(256,021)	(152,240)	(1,015,039)	(257,793)
Direct depreciation and amortization	10	(84,998)	(95,283)	(254,994)	(232,673)
Gross Profit		863,546	306,733	2,203,801	1,037,973
Expenses					
Share-based expense	18	-	-	519,000	-
Consulting and management services		465,810	338,178	1,334,396	857,213
Sales and marketing expenses		694,254	165,777	1,197,658	227,238
Depreciation and amortization		243,497	197,242	720,291	591,466
Administration		134,357	183,169	401,294	460,639
Research and development		75,212	-	227,005	-
Public company costs		18,444	49,843	74,849	143,608
		1,631,574	934,209	4,474,493	2,280,164
Loss from operations		(768,028)	(627,476)	(2,270,692)	(1,242,191)
Other income and expense					
Finance income		-	61	-	114
Foreign exchange gain (loss)		(10,145)	(71,410)	(154,354)	41,383
Finance expense	14	(28,981)	(62,441)	(92,409)	(119,801)
		(39,126)	(133,790)	(246,763)	(78,304)
Income tax recovery (expense)		7,754	(1,021)	(16,375)	(5,953)
Loss and Comprehensive loss for the period		(799,400)	(762,287)	(2,533,830)	(1,326,448)
Basic and diluted loss per share		$ (0.01)	$ (0.01)	$ (0.04)	$ (0.03)
Weighted average common shares outstanding - Basic and diluted		70,965,955	51,600,985	70,538,174	51,223,234

The accompanying notes are an integral part of these condensed consolidated interim financial statements

EUROCONTROL TECHNICS GROUP INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian dollars)

	Number of Shares	Issued Capital	Warrants Reserve	Commitment to Issue Shares	Share-based Payment Reserve	Deficit	Total
		(Note 15)	(Note 16)	(Note 17)	(Note 18)		
Balance as at December 31, 2010	69,320,738	$ 12,483,730	$ 1,245,273	$ 430,000	$ 984,960	$ (8,513,120)	$ 6,630,843
Share issue costs	-	(1,949)	-	-	-	-	(1,949)
Private placement:							
Shares issued	14,840,000	1,484,000	-	-	-	-	1,484,000
Fair value of finder's warrants issued	-	(16,700)	16,700	-	-	-	-
Share issue costs	-	(36,653)	-	-	-	-	(36,653)
Share-based expense	-	-	-	-	519,000	-	519,000
Expiry of stock options	-	-	-	-	(349,800)	349,800	-
Expiry of warrants	-	-	(272,063)	-	-	272,063	-
Loss for the period	-	-	-	-	-	(2,533,830)	(2,533,830)
Balance as at September 30, 2011	**84,160,738**	**$ 13,912,428**	**$ 989,910**	**$ 430,000**	**$ 1,154,160**	**$ (10,425,087)**	**$ 6,061,411**
Balance as at January 1, 2010	50,029,949	$ 10,555,736	$ 358,258	$ 430,000	$ 1,120,510	$ (6,872,473)	$ 5,592,031
Exercise of warrants	2,790	474		-	-	-	474
Fair value of warrants exercised	-	335	(335)	-	-	-	-
Private placement:							
Shares issued	12,036,332	1,805,449	-	-	-	-	1,805,449
Fair value of warrants issued	-	(654,358)	654,358	-	-	-	-
Fair value of finder's warrants issued		(55,692)	55,692	-	-	-	-
Share issue costs	-	(79,740)	-	-	-	-	(79,740)
Acquisition of Xenemetrix							
Shares issued	4,133,334	620,000	-	-	-	-	620,000
Warrant valuation	-	-	108,867	-	-	-	108,867
Expiry of stock options	-	-	-	-	(135,550)	135,550	-
Expiry of warrants	-	-	(85,860)	-	-	85,860	-
Loss for the period	-	-	-	-	-	(1,326,448)	(1,326,448)
Balance as at September 30, 2010	**66,202,405**	**$ 12,192,204**	**$ 1,090,980**	**$ 430,000**	**$ 984,960**	**$ (7,977,511)**	**$ 6,720,633**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

EUROCONTROL TECHNICS GROUP INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian dollars)

Cash provided by (used in):	Nine months ended September 30, 2011	2010
Operating activities		
Loss for the period	$ (2,533,830)	$ (1,326,448)
Items not involving cash:		
Amortization of equipment	36,344	39,186
Amortization of deferred development costs	254,994	193,487
Amortization of technology right	683,912	588,321
Share-based expense	519,000	-
Foreign exchange loss (gain)	(39,221)	2,527
Foreign exchange loss (gain) on shareholder loans	70,272	(63,962)
Accrued interest on shareholder loans	120,423	63,154
Working capital adjustments		
Change in receivables	(375,612)	100,479
Change in inventories	(250,277)	35,132
Change in prepaid expenses	345,057	(463,641)
Change in deposits	-	23,131
Change in deferred income	(60,632)	286,585
Change in accounts payables and accrued liabilities	220,733	20,332
	(1,008,837)	(501,717)
Investing activities		
Deferred development expenditures	-	(149,892)
Deposits - acquisition of Xenemetrix	-	(184,734)
Property, plant and equipment expenditures	(123,759)	(3,901)
	(123,759)	(338,527)
Financing activities		
Shares issued - private placement	1,484,000	1,805,449
Shares issued on exercise of warrants	-	474
Share issue costs	(38,602)	(79,740)
Increase in loans	40,310	-
Repayment of shareholder loans	(193,177)	(47,848)
	1,292,531	1,678,335
Effect of exchange rate changes on cash	39,221	(2,527)
Increase in cash	199,156	835,564
Cash, beginning of the period	1,779,973	391,639
Cash, end of the period	$ 1,979,129	$ 1,227,203
Cash is comprised of:		
Cash in bank	$ 1,979,129	$ 1,227,203
	$ 1,979,129	$ 1,227,203

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Eurocontrol Technics Group Inc. (the "Company") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario.

The Company's shares are listed on the TSX Venture Exchange under the symbol "EUO". The head office, principal and registered address and records office of the Company are located at 65 Queen Street West, Suite 825 Toronto, Ontario M5H 2M5.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 29, 2011.

2. BASIS OF PRESENTATION AND GOING CONCERN

These condensed consolidated interim financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the IASB. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and by IFRS 1, *First-time Adoption of IFRS*. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. Please see the March 31, 2011 condensed consolidated interim financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's March 31, 2011 financial statements were consistently applied to all the periods presented unless otherwise noted below or in the March 31, 2011 financial statements.

Prior to 2011, the Company's consolidated financial statements were previously prepared in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in notes along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, and the statement of financial position and cash flows.

These financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Company has a need for financing for working capital requirements. As a result of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

3. FUTURE ACCOUNTING CHANGES

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, 2011 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

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 -- Classification and Measurement (“IFRS 9”) was issued 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, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to 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 January 1, 2013. The Company has not yet determined the impact of the amendments to 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 previously 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 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 Impairments 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 January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 13 Fair Value Measurement 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 now 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 the amendments to IFRS 13 on its financial statements.

4. PRINCIPLES OF CONSOLIDATION

These condensed consolidated interim financial statements include the financial position, results of operations and cash flows of the Company and its subsidiaries, Global Fluids International S.A. and Xenemetrix Ltd.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Control is presumed to exist where the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Business Combinations and Goodwill

On the acquisition of a subsidiary the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed rather than included in the acquisition purchase price;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the income statement.

All material intercompany transactions between subsidiaries are eliminated in consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8 *Operating Segments*. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets such as amounts receivable, inventories, property, plant and equipment, technology rights, deferred development costs and the ultimate liability arising on contingencies. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants, income tax accounts, depreciation and amortization expense.

In particular, the Company conducts internal assessments of the carrying values of its technology rights and deferred development assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication of impairment exists, an estimate of these intangible assets' recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell the asset and the asset's value in use. In determining recoverable amount, the Company uses assumptions and methodologies (such as discounted cash flow projections based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset) in its assessments, which are subject to material measurement uncertainty.

6. OPERATING SEGMENT

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company conducts its business as a single operating segment.

Geographical information

The Company's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers Three months ended September 30,		Revenue from external customers Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Africa	$ 513,799	$ 554,256	$ 2,093,870	$ 1,321,491
North America	66,972	-	281,556	-
South America	64,514	-	97,213	-
Asia	334,105	-	637,829	-
Europe	225,175	-	363,366	206,948
	$ 1,204,565	$ 554,256	$ 3,473,834	$ 1,528,439

6. OPERATING SEGMENT (cont'd)

As at September 30, 2011

	South America	North America	Asia	Total
Equipment	$ -	$ 75,623	$ 172,931	$ 248,554
Deferred development costs	946,567	-	-	946,567
Technology rights	3,922,130	-	796,592	4,718,722

As at December 31, 2010

	South America	North America	Asia	Total
Equipment	$ -	$ 12,260	$ 148,879	$ 161,139
Deferred development costs	1,201,561	-	-	1,201,561
Technology rights	4,510,450	-	892,184	5,402,634

7. AMOUNTS RECEIVABLE

	September 30, 2011	December 31, 2010
Trade receivables	$ 898,701	$ 682,520
Private placement receivable (note 15(iii))	200,000	-
Tax receivables	64,672	80,363
Other	13,426	38,304
	$ 1,176,799	$ 801,187

8. INVENTORIES

	September 30, 2011	December 31, 2010
Materials	$ 235,552	$ 161,472
Work in process	10,416	10,759
Finished goods	195,725	19,185
	$ 441,693	$ 191,416

For the three and nine months ended September 30, 2011, the cost of inventories recognized as an expense and included in cost of sales was $423,628 and $1,265,316, respectively ($152,240 and $222,661 for the three and nine months ended September 30, 2010).

9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture, computers and equipment	Spectrometer equipment	Machinery	Vehicles	Total
Cost					
Balance as at January 1, 2010	$ 53,221	$ 237,001	$ 211,145	$ -	$ 501,367
Additions	11,063	-	-	12,877	23,940
Acquisitions through business combinations (note 12)	112,308	-	-	26,900	139,208
Balance as at December 31, 2010	176,592	237,001	211,145	39,777	664,515
Additions	69,296	-	-	54,463	123,759
Balance as at September 30, 2011	$ 245,888	$ 237,001	$ 211,145	$ 94,240	$ 788,274
Accumulated depreciation					
Balance as at January 1, 2010	$ 30,170	$ 235,496	$ 180,146	$ -	$ 445,812
Depreciation	23,890	1,505	30,999	1,170	57,564
Balance as at December 31, 2010	54,060	237,001	211,145	1,170	503,376
Depreciation	31,368	-	-	4,976	36,344
Balance as at September 30, 2011	$ 85,428	$ 237,001	$ 211,145	$ 6,146	$ 539,720
Carrying amounts					
As at January 1, 2010	$ 23,051	$ 1,505	$ 30,999	$ -	$ 55,555
As at December 31, 2010	$ 122,532	$ -	$ -	$ 38,607	$ 161,139
As at September 30, 2011	$ 160,460	$ -	$ -	$ 88,094	$ 248,554

10. DEFERRED DEVELOPMENT COSTS

	Marker	Equipment	Total
Cost			
Balance as at January 1, 2010	$ 920,137	$ 481,813	$ 1,401,950
Additions	-	170,109	170,109
Balance as at December 31, 2010	920,137	651,922	1,572,059
Additions	-	-	-
Balance as at September 30, 2011	$ 920,137	$ 651,922	$ 1,572,059
Accumulated amortization			
Balance as at January 1, 2010	$ 92,013	$ -	$ 92,013
Amortization expense	122,684	155,801	278,485
Balance as at December 31, 2010	214,697	155,801	370,498
Amortization expense	92,013	162,981	254,994
Balance as at September 30, 2011	$ 306,710	$ 318,782	$ 625,492
Carrying amounts			
As at January 1, 2010	$ 828,124	$ 481,813	$ 1,309,937
As at December 31, 2010	$ 705,440	$ 496,121	$ 1,201,561
As at September 30, 2011	$ 613,427	$ 333,140	$ 946,567

11. TECHNOLOGY RIGHTS

The Company, through its wholly owned subsidiaries GFI and Xenemetrix, holds a licence to produce and sell fuel markers, detectors and XRF systems. The fuel markers and detectors are licensed under a 20 year license agreement from the holder of the patents. The patents are pending examination or issuance as at September 30, 2011 and because of this, their scope in each country remains to be determined. The XRF systems are licensed until February 2018.

	Markers and Detectors	XRF Systems	Total
Cost			
Balance as at January 1, 2010	$ 7,844,267	$ -	$ 7,844,267
Acquisition from business combinations (note 12)	-	892,184	892,184
Balance as at December 31, 2010	7,844,267	892,184	8,736,451
Additions	-	-	-
Balance as at September 30, 2011	$ 7,844,267	$ 892,184	$ 8,736,451
Accumulated amortization			
Balance as at January 1, 2010	$ 2,549,389	$ -	$ 2,549,389
Amortization expense	784,428		784,428
Balance as at December 31, 2010	3,333,817	-	3,333,817
Amortization expense	588,320	95,592	683,912
Balance as at September 30, 2011	$ 3,922,137	$ 95,592	$ 4,017,729
Carrying amounts			
As at January 1, 2010	$ 5,294,878	$ -	$ 5,294,878
As at December 31, 2010	$ 4,510,450	$ 892,184	$ 5,402,634
As at September 30, 2011	$ 3,922,130	$ 796,592	$ 4,718,722

Technology rights assets relating to Markers and detectors and XRF Systems are being amortized over their estimated useful lives on a straight-line basis of 10 years (ending in fiscal 2016) and 7 years (ending in fiscal 2018), respectively.

12. BUSINESS COMBINATIONS

Acquisition of Xenemetrix Ltd.

On October 1, 2010, the Company acquired 100% of the issued and outstanding common shares of Xenemetrix. Xenemetrix is a private company that develops, manufactures and sells x-ray fluorescent ("XRF") systems; Xenemetrix is the supplier of the XRF systems that make up the monitoring component of the Company's Petromark™ hydrocarbon marking technology.

In connection with the acquisition, the Company: (i) issued an aggregate of 4,133,334 common shares of the Company (ii) issued 1,533,333 common share purchase warrants entitling the holder thereof to acquire one common share at an exercise price of $0.50 for a period of 24 months from the date of closing; and (iii) delivered a cash payment in the amount of US$180,000 ($184,734).

The purchase price of all the outstanding shares of Xenemetrix was determined to be $947,062 based on the fair value of the identifiable assets and liabilities acquired. The outstanding warrants were valued at $108,867 on the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 144%; risk-free interest rate of 1.31% and an expected average life of two years.

Consideration transferred		
Shares of the Company	$	620,000
Warrants of the Company		108,867
Cash		184,734
Assumption of shareholder liabilities		33,461
	$	947,062

Assets acquired and liabilities assumed at the date of acquisition		
Working capital	$	28,378
Equipment		139,208
Loans		(112,708)
Technology – XRF Systems (note 11)		892,184
	$	947,062

Net cash inflow on acquisition of subsidiary		
Consideration paid in cash	$	(184,734)
Cash and cash equivalent acquired		402,644
	$	217,910

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2011		December 31, 2010
Accounts payable	$	1,239,226	$	1,116,943
Accrued liabilities		163,213		64,763
	$	1,402,439	$	1,181,706

14. SHAREHOLDER LOANS

				September 30, 2011	December 31, 2010
Euro loan					
Principal		€	500,000	$ 698,557	$ 665,940
Interest		€	250,743	350,317	282,864
US dollar loan					
Principal		$	850,000	883,065	845,410
Interest		$	343,789	357,162	304,192
				$ 2,289,101	$ 2,098,406
Repayments	**US dollar**	$	489,065	(508,090)	(314,913)
				$ 1,781,011	$ 1,783,493

The former shareholders of GFI advanced funds to GFI prior to its acquisition by the Company. The total payable includes the principal amount of €500,000 ($698,557) (December 31, 2010 - €500,000 ($665,940)) and accrued interest of €250,743 ($350,317) (December 31, 2010- €212,380 ($282,864)) loaned by the former shareholders of GFI in order to post the bid bond in a tender. This portion of the shareholder loans will be 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%.

The remainder of the shareholder loans balance relates to the principal amount of US$850,000 ($883,065) (December 31, 2010 - US$850,000 ($845,410)) and accrued interest of US$343,789 ($357,162) (December 31, 2010 - US$305,844 ($304,192)) in loans payable to the former shareholders of GFI. The shareholder loans will be repaid through 25% of the income generated by contracts of GFI. As at September 30, 2011, the Company repaid US$489,065 ($508,090) (December 31, 2010 - US$316,623 ($314,913)). This portion of the loans payable bears an annual interest rate of 5.0%.

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

15. ISSUED CAPITAL

Authorized

100,000,000 common shares without par value

Issued capital comprises:

	September 30, 2011	December 31, 2010
84,160,738 fully paid common shares (December 31, 2010: 69,320,738)	$ 13,912,428	$ 12,483,730

Fully paid common shares, which have no par value, carry one vote per share and carry a right to dividends. The fair value of shares issued for consulting services was determined by reference to the market rate for similar consulting services.

15. ISSUED CAPITAL (cont'd)

Commons shares issued:

	No. of Shares #	Value $
Balance as at January 1, 2010	50,029,949	10,555,736
Warrants exercised	2,790	474
Warrant valuation – warrants exercised	-	335
Private placement, before issue costs (i) (ii)	15,154,665	2,273,199
Private placement – warrant valuation (i) (ii)	-	(803,379)
Acquisition of Xenemetrix Ltd. (note 13)	4,133,334	620,000
Share issue costs (i) (ii)	-	(162,635)
Balance as at December 31, 2010	69,320,738	12,483,730
Private placement, before issue costs (iii)	14,840,000	1,484,000
Private placement – warrant valuation (iii)	-	(16,700)
Share issue costs (iii)	-	(38,602)
Balance as at September 30, 2011	84,160,738	13,912,428

	No. of Shares #	Value $
Shares to be issued – warrants exercised	1,000,000	260,000
Shares to be issued – warrant valuation	-	170,000
As at December 31, 2010 and September 30, 2011	1,000,000	430,000

(i) On September 27, 2010, the Company completed the first tranche of announced private placement issuing 12,036,332 units of the Company at a price of $0.15 per unit for gross proceeds in the amount of $1,805,449. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.20 until September 27, 2012. The Company paid finder's fees of $79,740 and issued 546,000 finder's warrants. Each finder's warrant is exercisable into one unit consisting of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $0.15 until September 27, 2012. The fair value of the warrants and finder's warrants was estimated at $654,358 and $55,692 respectively on the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 152%; risk-free interest rate of 1.42% and an expected average life of two years.

15. ISSUED CAPITAL (cont'd)

(ii) On December 10, 2010, the Company completed the second tranche of its private placement. The Company issued 3,118,333 units at a price of $0.15 per unit for gross proceeds in the amount of $467,750. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.20 until December 10, 2012. The expiry of the warrants may be accelerated, if at any time following the 6 month anniversary of the date of the warrant certificates, the closing price of the underlying common shares listed on the TSX Venture Exchange is greater than $0.45 for 30 or more consecutive trading days on a volume weighted average basis, at which time the Company may give notice to the warrant holders that the warrants will expire on the 30th day following receipt of the notice. The securities issued pursuant to the financing are subject to a four month regulatory hold period. The Company paid finder's fees in the amount of $21,931 and issued 60,600 finder's warrants in connection with the closing of the second tranche of the financing. Each finder's warrant entitles the holder to acquire one unit of the Company at a price of $0.15 until December 10, 2012. The fair value of the warrants and finder's warrants was estimated at $149,021 and $5,272 respectively on the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 127%; risk-free interest rate of 1.72% and an expected average life of two years.

(iii) On September 26, 2011, the Company completed the announced private placement issuing 14,840,000 common shares of the Company at a price of $0.10 per unit for gross proceeds in the amount of $1,484,000. The Company paid finder's fees of $29,225 and issued 417,500 finder's warrants. Each finder's warrant is exercisable into one common share at a price of $0.10 until September 27, 2012. The fair value of the finder's warrants was estimated at $16,700 on the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk-free interest rate of 0.96% and an expected average life of one year.

As at September 30, 2011, of the $1,484,000 gross proceeds, $200,000 remained outstanding.

16. WARRANTS RESERVE

The following table summarizes information about warrants:

	No. of Warrants #	Value $
Balance as at January 1, 2010	4,737,077	358,275
Warrants issued from private placement (note 15(i)(ii))	15,762,460	864,326
Warrants issued on acquisition of Xenemetrix Ltd. (note 12)	1,533,333	108,867
Warrants exercised	(2,790)	(335)
Warants expired	(1,360,000)	(85,860)
Balance as at December 31, 2010	20,670,080	1,245,273
Warrants issued from private placement (note 15(iii))	417,500	16,700
Warrants expired	(3,375,682)	(272,063)
Balance as at September 30, 2011	17,711,898	989,910

16. WARRANTS RESERVE (cont'd)

The following warrants were in existence as at September 30, 2011:

No. of warrants		Grant date fair value of warrants		Exercise Price	Expiry Date
12,036,332	$	654,358	$	0.20	September 27, 2012
546,000 (i)		55,692		0.15	September 27, 2012
1,533,333		108,867		0.50	September 28, 2012
3,118,333		149,021		0.20	December 10, 2012
60,400 (ii)		5,272		0.15	December 10, 2012
417,500		16,700		0.10	September 27, 2012
17,711,898	$	989,910			

(i) These are exercisable into units consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.20 until September 27, 2012.

(ii) These are exercisable into units consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.20 until December 10, 2012.

17. COMMITMENT TO ISSUE SHARES

	No. of Shares #	Value $
Shares to be issued – warrants exercised	1,000,000	260,000
Shares to be issued – warrant valuation	-	170,000
As at December 31, 2010 and September 30, 2011	1,000,000	430,000

18. SHARE-BASED PAYMENT RESERVE

Employee share option plan

The Board of Directors of the Company adopted a Stock Option Incentive Plan (the “Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with the policies of the TSX Venture Exchange (the “Exchange") and the Plan.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following table summarizes information about share-based payment reserve:

Balance as at January 1, 2010	$	1,120,510
Expiry of stock options		(135,550)
Balance as at December 31, 2010		984,960
Share-based payments		519,000
Expiry of stock options		(349,800)
Balance as at September 30, 2011	$	1,154,160

The following share-based payment arrangements were in existence as at September 30, 2011:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date		Exercise price	Fair value at grant date
950,000	950,000	October 1, 2006	October 1, 2011	$	0.40	215,650
200,000	200,000	October 1, 2006	October 1, 2011	$	0.32	47,400
250,000	250,000	October 26, 2006	October 26, 2011	$	0.40	74,250
500,000	500,000	November 6, 2006	November 6, 2011	$	0.70	120,000
600,000	600,000	December 10, 2007	December 10, 2012	$	0.30	132,480
200,000	200,000	May 12, 2008	May 12, 2013	$	0.30	35,960
100,000	100,000	September 15, 2008	September 15, 2013	$	0.30	9,420
3,460,000	3,460,000	February 23, 2011	February 23, 2016	$	0.16	519,000
6,260,000	6,260,000					$ 1,154,160

The share options outstanding as at September 30, 2011 had a weighted exercise price of $0.27 (December 31, 2010: $0.44), and a weighted average remaining contractual life of 427 days (December 31, 2010: 452 days).

All options vested on their date of issue and expire within 5 years of their issue, or 30 days after the resignation of the director, officer, employee or consultant.

18. SHARE-BASED PAYMENTS (cont'd)

Fair value of share options granted in the period

No share purchase options were granted for the three months ended September 30, 2011. During the six months ended September 30, 2011, 3,460,000 share options were granted to directors, officers and employees of the Company to acquire the Company's shares at $0.16 until February 23, 2016. These options vested immediately and had an estimated fair value of $519,000 at grant date.

The share options were priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years of the Company.

Inputs into the model:

Grant date share price	$	0.16
Exercise price	$	0.16
Expected volatility		139%
Expected option life		5 years
Expected dividend yield		0%
Risk-free interest rate		2.61%

Movements in shares options during the period:

The following reconciles the share options outstanding during the period.

	Number of options		Weighted average exercise price
Balance as at January 1, 2010	4,200,000	$	0.42
Expired	(500,000)	$	0.32
Balance as at December 31, 2010	3,700,000	$	0.44
Granted	3,460,000	$	0.16
Expired	(900,000)	$	0.51
Balance as at September 30, 2011	6,260,000	$	0.27

19. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2011 and December 31, 2010 were as follows:

	Loans and receivables	Other financial liabilities	Total
As at September 30, 2011			
Cash	$ 1,979,129	$ -	$ 1,979,129
Amounts receivable	1,176,799	-	1,176,799
Accounts payable and accrued liabilities	-	1,402,439	1,402,439
Shareholder loans	-	1,781,011	1,781,011
Loans	-	58,807	58,807

	Loans and receivables	Other financial liabilities	Total
As at December 31, 2010			
Cash	$ 1,779,973	$ -	$ 1,779,973
Amounts receivable	801,187	-	801,187
Accounts payable and accrued liabilities	-	1,181,706	1,181,706
Shareholder loans	-	1,783,493	1,783,493
Loans	-	18,497	18,497

As at September 30, 2011, there are no significant concentrations of credit risk for loans. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

As at September 30, 2011, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy.

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities and loans approximate fair value because of the limited terms 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.

20. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties:

For the three and nine months ended September 30, 2011, the Company was charged $7,500 and $22,500 respectively ($7,500 and $22,500 for the three and nine months ended September 30, 2010, respectively) by a corporation controlled by a director of the Company for administrative and promotional services, which were recorded in consulting and management services.

The Company shares its premises with other corporations that have common officers and directors. The Company reimburses the related corporations for its proportional share of the expenses. At as September 30, 2011, an amount of $nil (December 31, 2010 - $8,211) was included in accounts payable and accrued liabilities and an amount of $16,605 (December 31, 2010 - $nil) was advanced in relation to these expenses. These amounts are non-interest bearing, unsecured with no fixed terms of repayment.

For the three and nine months ended September 30, 2011, $29,168 and $90,020 ($28,616 and $85,521 for three and nine months ended September 30, 2010) in interest was charged on the shareholder loans described in note 14.

20. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel of the Company

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

	Three months ended September 30,				Nine months ended September 30,			
	2011		2010		2011		2010	
Short-term benefits	$	148,828	$	152,199	$	458,841	$	451,552
Share-based payments	$	-	$	-	$	307,500	$	-

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.

21. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations. The capital of the Company consists of common shares, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has entered into commercial operations and has begun to generate cash flows to support the ongoing and longer term strategy of the Company. However, the Company may continue to rely on capital markets to support continued growth.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management in 2010 or 2011. The Company and its subsidiaries are not subject to externally imposed capital requirements.

22. FINANCIAL RISK FACTORS

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.

22. FINANCIAL RISK FACTORS (cont'd)

Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a cash balance of $1,979,129 (December 31, 2010 - $1,779,973) to settle current liabilities of $3,438,500 (December 31, 2010 - $3,280,881). This amount includes $1,781,011 (December 31, 2010 - $1,783,493) in shareholder loans (note 14).

Market risk:

(a) Interest rate risk

The Company carries shareholder loans with interest and repayment terms as described in note 14. 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 September 30, 2011 are as follows:

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	$ 1,075,950	$ 900,179	$ -	$ 1,976,129
Amounts receivable	226,529	950,270	-	1,176,799
	$ 1,302,479	$ 1,850,449	$ -	$ 3,152,928
Financial liabilities				
Accounts payable and accrued liabilities	$ 157,322	$ 1,245,117	$ -	$ 1,402,439
Shareholder loans	-	732,137	1,048,874	1,781,011
Loans	-	58,807	-	58,807
	$ 157,322	$ 2,036,061	$ 1,048,874	$ 3,242,257

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 $130,000 (December 31, 2010 - $180,000) based on the foreign currency balances at September 30, 2011.

(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.

23. CONTINGENT LIABILITIES

The Company is party to certain management contracts. These contracts contain clauses requiring that additional payments of $218,000 be made upon the occurrence of certain events. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum payments required under these contracts approximate US$82,000 ($81,930) all due within one year.

As part of its settlement with a supplier of XRF detectors, the Company agreed to pay compensation to the supplier totaling 35% of the amount of any settlement received from EMRA in the event that the Turkish marker contract is not executed, to a maximum compensation amount of US$1,360,375. The supplier will waive its right to this compensation if the Turkish contract is executed.

24. TRANSITION TO IFRS

Transition elections

The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these interim consolidated financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

The Company has elected not to apply IFRS 3 *Business Combinations* and restate business combinations that occurred prior to the Transition Date.

Changes in accounting policies

In addition to the certain optional exemptions and mandatory exceptions, the following narrative explains the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

Reclassification within equity section

IFRS requires an entity to present each component of equity, a reconciliation between carrying amount at the beginning and end of the period, separately disclosing each change. On adoption of IFRS, the Company reclassified the value of expired warrants and stock options from share-based payment reserves (contributed surplus) to deficit. As a result, the Company performed the following reclassification:

	December 31, 2010	September 30, 2010	January 1, 2010
Decrease in share-based payment reserves	$ (4,029,024)	$ (4,029,025)	$ (3,807,614)
Decrease in deficit	4,029,024	4,029,025	3,807,614
Changes to shareholders' equity	$ -	$ -	$ -

24. TRANSITION TO IFRS (cont'd)

IFRS requires the Company to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position from the reclassification discussed above did not impact the consolidated statements of operations and comprehensive income and the consolidated statements of cash flows; consequently, reconciliations between Canadian GAAP and IFRS for earnings, comprehensive income and cash flows are not presented.

For the periods ended	December 31, 2010	September 30, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP:	$ 6,630,843	$ 5,028,344	$ 5,592,031
IFRS Adjustments:			
Decrease in warrants reserve	$ -	$ -	$ 17
Decrease in deficit	4,029,024	4,029,025	3,807,614
Decrease in share-based payment reserve	(4,029,024)	(4,029,025)	(3,807,631)
Shareholders' equity under IFRS	$ 6,630,843	$ 5,028,344	$ 5,592,031

Reconciliation of consolidated statement of financial position as at January 1, 2010

	Canadian GAAP Balances	**IFRS Reclass**	**IFRS Balance**
ASSETS			
Current assets			
Cash	$ 391,639	$ -	$ 391,639
Amounts receivable	665,959		665,959
Inventories	59,084		59,084
Prepaid expenses	76,045		76,045
	1,192,727	-	1,192,727
Non-current assets			
Deposits	23,131	-	23,131
Property, plant and equipment	55,555		55,555
Deferred development costs	1,309,937		1,309,937
Technology rights	5,294,878		5,294,878
	$ 7,876,228	$ -	$ 7,876,228
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 349,250	$ -	$ 349,250
Shareholder loans	1,934,947		1,934,947
	2,284,197	-	2,284,197
Shareholders' equity			
Issued capital	10,555,736	-	10,555,736
Commitment to issue shares	430,000		430,000
Warrants reserve	358,275	(17)	358,258
Share-based payment reserve	4,928,124	(3,807,614)	1,120,510
Deficit	(10,680,104)	3,807,631	(6,872,473)
	5,592,031	-	5,592,031
	$ 7,876,228	$ -	$ 7,876,228

24. TRANSITION TO IFRS (cont'd)

Reconciliation of consolidated statement of financial position as at September 30, 2010

	Canadian GAAP Balances	Canadian GAAP Reclass *	IFRS Reclass	IFRS Balance
ASSETS				
Current assets				
Cash	$ 1,227,203	$ -	$ -	$ 1,227,203
Amounts receivable	565,480			565,480
Inventories	23,952			23,952
Prepaid expenses	1,451,755			1,451,755
	3,268,390	-	-	3,268,390
Non-current assets				
Deposits	-	-	-	-
Property, plant and equipment	20,270			20,270
Deferred development costs	1,266,342			1,266,342
Technology rights	4,706,557			4,706,557
	$ 9,261,559	$ -	$ -	$ 9,261,559
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 369,582	$ -	$ -	$ 369,582
Deferred revenue	286,585			286,585
Shareholder loans	1,886,291			1,886,291
	2,542,458	-	-	2,542,458
Shareholders' equity				
Issued capital	12,169,277	22,927	-	12,192,204
Commitment to issue shares	430,000			430,000
Warrants reserve	1,112,391	(21,411)		1,090,980
Share-based payment reserve	5,013,985		(4,029,025)	984,960
Deficit	(12,006,552)	(1,516)	4,029,025	(7,979,043)
	6,719,101	-	-	6,719,101
	$ 9,261,559	$ -	$ -	$ 9,261,559

(*) "Canadian GAAP reclass" represents immaterial adjustments and reclassification made at the end of fiscal 2010 but affecting the Statement of Financial Position as at September 30, 2010. See "Statement of Changes in Shareholders' Equity".

24. TRANSITION TO IFRS (cont'd)

Reconciliation of consolidated statement of financial position as at December 31, 2010

	Canadian GAAP Balances	IFRS Reclass	IFRS Balance
ASSETS			
Current assets			
Cash	$ 1,779,973	$ -	$ 1,779,973
Amounts receivable	801,187		801,187
Inventories	191,416		191,416
Prepaid expenses and other current assets	392,311		392,311
	3,164,887	-	3,164,887
Non-current assets			
Property, plant and equipment	161,139	-	161,139
Deferred development costs	1,201,561		1,201,561
Technology rights	5,402,634		5,402,634
	$ 9,930,221	$ -	$ 9,930,221
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,181,706	$ -	$ 1,181,706
Deferred income	315,682		315,682
Shareholder loans	1,783,493		1,783,493
	3,280,881	-	3,280,881
Non-current liabilities			
Loan	18,497		18,497
	3,299,378	-	3,299,378
Shareholders' equity			
Issued capital	12,483,730	-	12,483,730
Commitment to issue shares	430,000		430,000
Warrants reserve	1,245,273		1,245,273
Share-based payment reserve	5,013,984	(4,029,024)	984,960
Deficit	(12,542,144)	4,029,024	(8,513,120)
	6,630,843	-	6,630,843
	$ 9,930,221	$ -	$ 9,930,221

25. SUBSEQUENT EVENTS

a) Subsequent to September 30, 2011, 1,900,000 employee share options expired.