



EUROCONTROL TECHNICS GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE TO READER:

This MD&A amends and restates and supersedes, the Company's MD&A filed on April 29, 2016, which contained numerous typographical errors throughout the document and excluded several other disclosure changes. For this reason, the April 29th MD&A should not be relied upon and readers should refer only to the May 2nd document.

Management's Discussion and Analysis

For the year ended December 31, 2015

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis ("MD&A") is current to May 2, 2016 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, 2015 and 2014 and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise. Additional information relevant to Eurocontrol's activities, including Eurocontrol's press releases can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, which are based on certain assumptions and analyses made by the Company derived from its experience and perceptions. The forward-looking statements in this MD&A are subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations. The critical risks, uncertainties, and assumptions include, without limitation: the impact of economic conditions including foreign exchange rates; industry conditions in the sectors that the Company's subsidiaries operate in; the ability to continue to build and improve on proven manufacturing capabilities and innovate new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; and political unrest. As such, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits or negative impact they will have on the Company and its shareholders. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW AND STRATEGY

Eurocontrol is a Canadian listed public company with its shares traded on the TSX Venture Exchange ("TSXV") under the symbol "EUO". The Company specializes in the acquisition, development and commercialization of innovative security, authentication, verification and certification markets globally through its two wholly-owned subsidiaries: Xenemetrix Ltd. ("Xenemetrix") and XwinSys Technology Development Ltd. ("XwinSys"). Xenemetrix is a leading designer, manufacturer and marketer of energy-dispersive x-ray fluorescence (ED-XRF) systems, a technology that is the most accurate and economic method for determining the chemical composition of many types of materials. Xenemetrix has an exclusive long term supply, maintenance and support agreement with SIPCA/GFI to supply Xenemetrix products and services related to oil and gas marking and monitoring field. XwinSys is developing technology and intellectual property that combines 2D and 3D image processing technology with Xenemetrix's ED-XRF technology for application in the semi-conductor manufacturing process.

The majority of Eurocontrol's revenues are denominated in US dollars while a significant amount of the Company's marketing and administration costs are denominated in currencies other than the US dollar; primarily the Canadian dollar and the Israeli Shekel. To the extent that the exchange rates between the US dollar and the Canadian dollar and Israeli Shekel fluctuate, the Company will experience an impact on its earnings.

As Eurocontrol's business expands internationally, the Company will be exposed to additional risk relating to international operations. Eurocontrol intends to grow its international business operations.

Eurocontrol's international operations expose the Company to additional risk unique to such international markets. For a discussion of risks, please refer to the Risks and Uncertainties section of this MD&A.

The Company has been focused on implementing a strategic plan designed to increase the Company's value and create opportunities for growth by narrowing the number of divisions in which it operates to allow the Company to focus its resources and capital and pursue higher growth strategies. This strategic plan commenced with the sale of the Company's former wholly-owned subsidiary, Global Fluids International (GFI) S.A. ("GFI") to SICPA Finance SA ("SICPA"), a subsidiary of SICPA SA, each a privately owned company based in Switzerland, which closed January 4, 2016. Further details on the sale of GFI are included below under Sale Transaction.

In particular, Eurocontrol intends to focus its business growth efforts in the following areas: (1) material analysis on mobile platforms; (2) monitoring solutions for marine vessels and geological mapping; (3) ED-XRF agricultural applications in precision farming; and (4) ED-XRF/2D-3D Semiconductor and related microelectronics industry applications. Management of the Company believes that there will be increased demand for ED-XRF technology and automated 2D and 3D image processing technologies in these areas and, as a result, new opportunities for the Company to capitalize on this demand.

The Company has identified a number of acquisition opportunities that it may perform due diligence on. Additionally, investments in R&D programs within Xenometrix and XwinSys, the Company's two remaining wholly-owned subsidiary, will be a priority. In 2016, the Company plans on investing \$2MM into R&D. The growth of Eurocontrol through acquisitions and integration of complementary businesses is an important component of the Company's business strategy. Eurocontrol continues to seek opportunities to acquire or invest in businesses, products and technologies that are complementary and would provide for expansion in the areas of authentication, verification and certification.

SALE TRANSACTION

On January 4, 2016, the Company closed the sale of GFI to SICPA in exchange for cash and post-closing earn-out payments.

The consideration paid to the Company for the sale of GFI is as follows:

- Cash consideration paid to the Company by SICPA on closing was \$16 million less the \$250,000 deposit received by the Company on signing of the Letter of Intent in August 2015, less \$395,595 in transaction payments, less \$984,128 in settlement of loan amounts owing by Eurocontrol to certain former shareholders of GFI and a working capital adjustment of \$47,489.
- Post closing earn-out payments equal to 5% of the net revenues earned by GFI from contracts, inclusive of both marker and logistics, entered into by it following the execution of the Purchase Agreement and during the period ending six years from the closing of the transaction (the "Minimum Earn-out Amount Period"), with a minimum guaranteed of \$1.5 million per year for the Earn-out Period (total payment of at least \$9,000,000).
- Additional post closing payments equal to 5% of the net revenues earned by GFI from contracts signed during the fourth through sixth years following closing paid until the third anniversary of such contracts.

LEADERSHIP TEAM

W. Bruce Rowlands - Chairman, President and Chief Executive Officer
Andres Tinajero – Chief Financial Officer
Charlotte May – Corporate Secretary
Dennis Logan – Director ^{(1*)(2)}
Kenneth Wawrew – Director ^{(1)(2*)}
Paul Wood – Director ⁽¹⁾⁽²⁾

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- * Denotes Committee Chair

Experience profiles for the board and management are available at www.eurocontrol.ca.

RECENT DEVELOPMENTS AND OUTLOOK

Management believes that the sale of its former subsidiary, GFI, to SICPA is a very positive step forward in the go-to-market strategy for GFI. SICPA has a long established business with very significant reach within the security and authentication marketplace. Historically SICPA has been recognized as a force in the global market for bank notes having seen its security inks used in peseta notes since the 1940's. SICPA has evolved and benefitted from its development and deployment of a continuous stream of sophisticated new technologies in the identification, traceability and tax reconciliation verticals. SICPA has a significant presence in many markets that GFI has identified as potential targets for its Petromark™ solution. GFI will be able to leverage SICPA's extensive logistical expertise and customer base to expand its customer base, which Eurocontrol will benefit from in the form of 5% earn-out payments on net revenues from all new marking technology sales and operational logistics for a minimum of six years from closing and additional post-closing earn-out payments of 5% of net revenues earned by GFI from contracts signed during the fourth through sixth years following closing paid until the third anniversary of such contracts.

Historically, Eurocontrol was limited to revenue from the sale of fuel markers and analyzers/detectors. The sale of GFI to SICPA expands Eurocontrol's exposure to the fuel marking market significantly through the inclusion of operational logistics in the earn-out payment stream. Logistics revenue as a component of the over-all revenue derived from a comprehensive fuel marking program are generally a multiple of the revenue generated from sales of markers and detectors. Under the terms of the sale of GFI to SICPA, Xenemetrix remains the supplier of detectors to SICPA/GFI on all new contracts entered into during the six year earn-out period. The Purchase Agreement provided Eurocontrol with approximately \$16 million in cash, a minimum of \$9 million in earn-out payments over the Minimum Earn-out Amount Period and two wholly-owned subsidiaries focused on growing their proprietary technology product offerings. Management is evaluating other potential investment opportunities that it anticipates will enhance the Company's growth profile and future profitability.

Included below is a description of the recent developments and outlook for each of the Company's subsidiaries.

GFI (former subsidiary)

As at December 31, 2015, GFI held contracts with several national governments relating to the sale of fuel markers and related monitoring services. Upon entering into the contracts with these governments, GFI entered into separate “supply agreements” with third parties for the execution of the government contracts and for the supply to these entities of fuel markers and related ancillary services necessary for the contracts’ execution.

GFI accounts for \$6,638,331 (2014 - \$4,448,342) of the revenue generated for the year ended December 31, 2015, representing 84% (2014 – 75%) of consolidated revenue. These revenues are included in discontinued operations in the consolidated financial statements for the years ended December 31, 2015 and 2014 pursuant to the sale of GFI as described above.

Xenemetrix

Xenemetrix accounted for \$1,271,111 (2014 - \$1,508,391) of the revenue generated for the year ended December 31, 2015, representing 16% (2014 – 25%) of overall revenue, such revenue being generated [primarily] from the sales of ED-XRF systems for GFI’s Petromark™ fuel marking business. In connection with GFI, Xenemetrix entered into a long term supply and support agreement with SICPA as part of the sale of GFI to SICPA. This long term supply and support agreement will also enable Xenemetrix to cooperate with SICPA and use SICPA’s considerable knowledge base and field experience to enable significant improvements and capabilities of Xenemetrix’s existing product lines, as well as new products and solutions for field applications. Xenemetrix is reorganizing and enhancing its manufacturing facilities as well as its quality control processes to ensure it can continue to meet the high manufacturing and systems integration standards that its customers have come to expect.

Also in 2015, Xenemetrix expanded its capabilities and product line by presenting new unique applications with the ED-XRF technology focusing in its state of the art ability to measure and monitor light elements specially for agriculture and heavy machinery.

The Company has continued to evolve this approach of material analysis accessibility by developing hybrid capability on mobile platforms that will replace cumbersome monitoring processes for a wide range of applications. In addition to offering onboard monitoring solutions for marine vessels and geological mapping these applications will include on-site monitoring of heavy machinery, heavy trucks, motorized construction equipment, power generators and heavy duty hydraulic equipment. This approach serves not only civilian purposes but also military motorized units including tanks, heavy-duty equipment and navy vessels.

The new system will enable measuring the materials composition in fuels and oil and in the field and to replace the existing method of testing by sending samples to a laboratory. The new hybrid system will cover the full spec of measurements being done today for fuels and oil. On-site measurement and monitoring will enable a significant cost reduction for heavy machinery owners. Xenemetrix will also offer a client server solution for heavy machinery fleets for location-based data collection, monitoring, preventive maintenance support systems and risk management. The data collection system will be part of Xenemetrix’s ongoing income model.

Agricultural applications such as “precise farming” will also be targeted by offering mobile hybrid monitoring of plant and tree leaves during the different stages of the growth process. This will allow efficiencies in the fertilization and irrigation of agricultural soil and improve the growth yield. On March 28, 2016, the Company announced that Xenemetrix had entered into a Memorandum of Understanding (“MOU”) with Netafim, an Israeli company that is the global leader in drip and micro-irrigation solutions for sustainable agricultural productivity, to develop a unique and innovative testing system utilizing Xenemetrix’s Energy Dispersive X-Ray Fluorescence (ED-XRF) technology for farmers and the greater farming community. The solution that will be developed through the collaboration between Netafim and Xenemetrix will be offered as a unique and innovative service to Netafim’s farming client base for

performing immediate tests of crops, soil and water in the field to replace the traditional method of sending samples to laboratories and waiting days for results. Xenometrix will leverage its ED-XRF-based spectroscopy expertise to develop a dedicated mobile and compact system for performing at-site (in-field) testing and analysis of material elements, primarily N, P and K (Nitrogen, Phosphorous and Potassium) in the soil, water and critical parts of the crops, at set intervals. Netafim will contribute its extensive market presence and expertise to secure cooperation of prospective clients to assist with defining specifications and laboratory verification of Xenometrix prototypes. The MOU also provides for an exclusivity term of two years for the initial commercialization phase to ensure the rapid time-to-market and launch of a mature solution that will boost revenue and reduce expenses for the farmer. A critical value add is the risk avoidance that will be achieved by this highly accelerated testing process that will result in increased sustainability through improved yields and a decrease in waste. The Xenometrix system will also allow for the collection of measured data and GPS coordinates that will be fed into a cloud-based repository that over time will form a big-data base that can be offered as a service to agro-companies and organizations to deal with the increasing food demand of the world's growing population and will enable insights into patterns and trends on as wide a geography as required.

Xenometrix remains focused on the development of new applications for its ED-XRF and establishing new marketing and distribution agreements in various regions. The Company believes that the on-site hybrid solution under development will enable the Company to offer a new approach by replacing entrenched off-line material analysis processes with on-site real-time methodology.

XwinSys

XwinSys is a research and development stage company that is pre revenue. XwinSys has been focused on the development of synergistic combinations of ED-XRF technology and automated 2D and 3D image processing technologies for the semiconductor and related microelectronics industries. On February 23, 2016, the Company announced that XwinSys ("XwinSys"), has finalized the integration of its novel XRF technology, named NMT, in its state-of-the-art hybrid product line. This technology is intended to serve the evolving metrology and inspection needs of the semiconductor industry that have evolved recently to keep pace with the advent of 3D (three dimensional) stacking structures for continued miniaturization of devices at an affordable cost. XwinSys was founded to satisfy a need to analyze solder bumps for the fledgling 3D IC (integrated circuit) market segment and thus gained critical insight into additional opportunities. The XwinSys NMT technology, acronym for Noise-reduced Multilayer Thin-film measurement and analysis, enhances traditional X-ray fluorescence (XRF) solutions and overcomes limitations of currently entrenched technologies for measuring thin and ultra-thin films. These thin films, which can be a single layer of atoms of a specific material, are a critical component in the construction of advanced semiconductor devices. The key attribute of the NMT technology is a dramatic improvement in sensitivity which is achieved by improving signal to background noise. Testing of the XwinSys NMT technology has demonstrated superior performance for a wide variety of semiconductor applications. XwinSys continues to perform advanced demo applications for its prospective semiconductor customers with several of the largest global companies that participate in this market.

As at December 31, 2015, the funds received for fiscal years 2012 through 2015 total US\$776,000. There is no assurance that XwinSys will receive further funds under the qualified grants as the proceeds received from the Office of the Chief Scientist of Israel are dependent on expenditures incurred by XwinSys and approvals by the Office of the Chief Scientist of Israel. In 2013, 2014 and 2015, XwinSys continued working towards commercialization of its wafer inspection and measurement system. There exists a significant demand for this technology in the semiconductor and related microelectronics industries.

The Company budgeted to invest up to US\$2.0 million in fiscal 2016 to advance XwinSys towards achieving certain milestones, and depending on the outcome of these milestones, the Company may begin commercial production in late 2016. For the year ended December 31, 2015, the Company's research and development expenditures amounted to approximately US\$1,320,000 out of the US\$1.5 million amount budgeted for 2015. XwinSys' enhanced hybrid concept is supported by an intellectual

property package including a portfolio of pending patents, state-of-the-art know-how and trade secrets. This ensures that the Company will be able to establish first-mover status and maintain this advantage to capture significant market share. Further, XwinSys has formalized a strategy for building on its modular hybrid platform to add additional detection capabilities to achieve a wider scope of applications and to enhance its overall inspection and analytical solutions.

XwinSys intends to exploit quickly evolving sensing and detection devices and sophisticated new software algorithms that together increase the effectiveness, resolution and throughput of inspection and metrology for the Semiconductor industry. An additional X-ray source and focusing optics will be integrated in an innovative configuration to enhance overall signal capture and an X-ray imaging sensor will be incorporated to widen the application scope of the system.

XwinSys has formalized a strategy for building on its modular hybrid platform to add additional detection capabilities to achieve a wider scope of applications and to enhance its overall inspection and analytical solutions. (Status ongoing)

The Company will exploit quickly evolving sensing and detection devices and sophisticated software algorithms that together increase the effectiveness, resolution and throughput of inspection and failure analysis for the Semiconductor industry. An additional X-ray source and focusing optics will be integrated in an innovative configuration to enhance overall signal capture and an X-ray imaging sensor will be incorporated to widen the application scope of the system. (Status ongoing)

SUMMARIZED FINANCIAL RESULTS

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenue:				
- from continuing operations	402,312	316,256	1,271,111	1,508,391
- from discontinued operations	1,848,245	1,137,969	6,638,331	4,448,342
Total revenue	2,250,557	1,454,225	7,909,442	5,956,733
Cost of sales:				
- from continuing operations				
Cost of sales - direct production costs	(273,456)	(192,526)	(657,012)	(749,398)
Cost of sales - amortization and other non cash items	(44,348)	(44,348)	(177,393)	(177,393)
	(317,804)	(236,874)	(834,405)	(926,791)
- from discontinued operations				
Cost of sales - direct production costs	(727,813)	(549,292)	(2,272,288)	(1,878,147)
Cost of sales - amortization and other non cash items	(68,951)	(68,952)	(275,809)	(275,810)
	(796,764)	(618,244)	(2,548,097)	(2,153,957)
Gross profit - continuing operations	84,508	79,382	436,706	581,600
Gross profit - discontinued operations	1,051,481	519,725	4,090,234	2,294,385
Expenses - continuing operations	(1,568,736)	(607,167)	(4,267,901)	(2,460,270)
Expenses - discontinued operations	(182,458)	(171,746)	(869,820)	(667,375)
Other (expense) income - continuing operations	(90,631)	(319)	98,172	(37,405)
Other (expense) income - discontinued operations	9,341	30,239	58,554	71,440
Income tax expense - discontinued operations	(9,212)	(12,460)	(27,903)	(28,740)
Deferred income tax gain - continuing operations	2,109,000	-	2,109,000	-
Net income (loss) - continuing operations	534,141	(528,104)	(1,624,023)	(1,916,075)
Net income (loss) - discontinued operations	869,152	365,758	3,251,065	1,669,710
Net income (loss)	1,403,293	(162,346)	1,627,042	(246,365)
Basic loss per share				
- from continuing operations	0.00	(0.00)	(0.02)	(0.02)
- from discontinued operations	0.01	0.00	0.04	0.02
- net income (loss)	0.02	(0.00)	0.02	(0.00)
Diluted loss per share				
- from continuing operations	0.00	(0.00)	(0.02)	(0.02)
- from discontinued operations	0.00	0.01	0.03	0.02
- net income (loss)	0.02	(0.00)	0.02	(0.00)
EBITDA	(540,772)	13,055	161,790	415,983
EBIT	(679,372)	(125,787)	(386,756)	(118,774)

Continuing operations

Revenue from continuing operations for the year ended December 31, 2015 decreased to \$1,271,111 (US\$994,376) from \$1,508,391 (US\$1,366,173) for the year ended December 31, 2014, a 16% decrease in Canadian dollar sales which reflect a 27% decrease in US dollar sales offset by an increase in the exchange rate.

Revenue from continuing operations for the three month period ended December 31, 2015 increased from revenue of \$316,236 (US\$286,399) during the three month period ended December 31, 2014 to revenue of \$402,312 (US\$301,357) during the three month period ended December 31, 2015. The increase represents a 27% increase in Canadian dollars which reflects a 5% increase in US dollar sales with the remaining difference due to the effects of foreign exchange rate.

For the year ended December 31, 2015, the Company had a gross profit from continuing operations of \$436,706 (2014 – \$581,600). For the three month period ended December 31, 2015 the Company had gross profit from continuing operations of \$84,508 (2014 – \$79,362). These amounts include non-cash cost of sales items; consisting of amortization of technology rights and patents amounting to \$44,348 (2014 - \$44,348) for the three month period ended December 31, 2015 and \$177,393 (2014 - \$177,393) for the year ended December 31, 2015. These non-cash cost of sales items are recurring costs based on the original development of the technology that the Company does not have any cost control over. Gross margin excluding of these non-cash cost of sales items is 48% for the year ended December 31, 2015 (2014 – 50%), and 32% for the three month period ended December 31, 2015 (2014 – 39%). The variance is due to US dollar sales relating to detectors and ancillary equipment having decreased by 27% for the year ended December 31, 2015 offset by an increase in foreign exchange between the US dollar and Canadian dollar which has gone from 1.16 as at December 31, 2014 to 1.38 as at December 31, 2015. The margin on detectors and ancillary equipment varies based on the level of customization. The cost of sales related to the same sales during the comparable periods decreased from \$749,398 for the year ended December 31, 2014 to \$657,012 for the year ended December 31, 2015. This represents a decrease of 12% in cost of sales which contributed to the increase in margin between the two periods.

Discontinued Operations

Revenue from discontinued operations, which relates to sales in GFI, for the year ended December 31, 2015 increased to \$6,638,331 (US\$5,193,093) from \$4,448,362 (US\$4,028,930) for the year ended December 31, 2014, a 49% increase in Canadian dollar sales which reflect a 29% increase in US dollar sales with the remaining increase in sales due to the exchange rate.

Revenue from discontinued operations for the three month period ended December 31, 2015 increased from revenue of \$1,137,989 (US\$1,030,712) during the three month period ended December 31, 2014 to revenue of \$1,848,245 (US\$1,384,453) during the three month period ended December 31, 2015. The increase represents a 62% increase in Canadian dollars which reflects a 34% increase in US dollar sales with the remaining increase in sales due to the exchange rate.

Revenue from discontinued operations for both the three month period and year ended December 31, 2015 reflect an increase in US dollar sales that is due to higher sales with clients in Africa. Approximately 85% of revenue for the three month period and year ended December 31, 2015 was derived from long term fuel marking contracts. The increase as it relates to the three month period and year ended December 31, 2015 primarily relates to increases in US dollar sales is primarily due to increased GFI sales in Tanzania and Uganda. GFI sales in Tanzania increased from \$2,421,873 during the year ended December 31, 2014 as compared to \$3,482,457 during the year ended December 31, 2015. GFI sales in Uganda increased from \$1,619,485 during the year ended December 31, 2014 as compared to \$2,337,112 during the year ended December 31, 2015.

For the year ended December 31, 2015, the Company had a gross profit from discontinued operations of \$4,090,234 (2014 – \$2,294,385). For the three month period ended December 31, 2015, the Company had gross profit from discontinued operations of \$1,051,481 (2014 – \$519,725). These amounts include non-cash cost of sales items consisting of amortization of technology rights and deferred development costs amounting to \$68,951 (2014 - \$68,952) for the three month period ended December 31, 2015 and \$275,809 (2014 - \$275,810) for the year ended December 31, 2015. These non-cash cost of sales items were recurring costs based on the original development of the technology that the Company did not have any cost control over. Gross margin from discontinued operations excluding of these non-cash cost of sales items was 61% for the year ended December 31, 2015 (2014 – 52%), and 66% for the three month period ended December 31, 2015 (2014 – 58%). The variance is due to an increase in sales relating to GFI fuel markers in Africa as described above which contributed to an increase in overall revenues of 49%. The gross margin also increased due to an increase in foreign exchange between the US dollar and Canadian dollar which was 1.16 as at December 31, 2014 and 1.38 as at December 31, 2015.

RESULTS OF OPERATIONS

EBITDA for the year ended December 31, 2015 decreased by \$254,193 to \$161,790 compared to \$415,983 for 2014. EBITDA for the three month period ended December 31, 2015 decreased by \$553,827 to (\$540,772) in 2015 compared to \$13,055 in 2014. EBITDA for the year ended December 31, 2015 decreased as a result of an increase in revenue and difference in product mix between increased sales in GFI and lower sales in Xenometrix which increased earnings due to the higher gross margin associated with GFI sales and an increase in foreign exchange gains, both offset by higher costs during the fourth quarter of 2015 surrounding year end bonuses and the sale of GFI. EBITDA for the three month period ended December 31, 2015 decreased due to the aforementioned bonuses and sale of GFI which were reflected in the fourth quarter of 2015.

The Company recorded a net income of \$1,627,042 for the year ended December 31, 2015 compared to a net loss of \$246,365 for the comparative year ended December 31, 2014. For the three month period ended December 31, 2015 net income was \$1,403,293 compared to a loss of \$162,346 for the same period in 2014. As at December 31, 2015, the Company has recognized a deferred tax asset in the amount of \$2,109,000 (December 31, 2014 - \$nil) in respect to \$7,959,000 in non-capital losses that the Company has available to utilize against the gain on the sale of GFI. The related deferred tax gain of \$2,109,000 (2014 - \$nil) has been recognized in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2015.

Direct cost of sales decreased slightly in the year ended December 31, 2015 from \$749,398 for 2014 to \$657,012 for 2015 for continuing operations and increased from \$1,878,147 during the year ended December 31, 2014 to \$2,272,228 for 2015 for discontinued operations. Direct costs of sale decreased for continuing operations characterized by the sale of highly customizable ancillary equipment and increased by 21% for discontinued operations which increased in connection with the increase in revenues as described above.

Expenses

Continuing operations

Expenses from continuing operations of \$4,267,901 for the year ended December 31, 2015 increased in comparison with the expenses of \$2,460,270 for the year ended December 31, 2014. The increase for the period is primarily due to the following increases with remaining expenditures remaining consistent between the two periods:

- Consulting and management expenses increased from \$715,558 for the year ended December 31, 2014 to \$1,175,831 for the year ended December 31, 2015. The increase is primarily due to compensation bonuses for 2015 reflecting the work throughout the year advancing various projects and the negotiation of the sale of GFI.

- Administration expenses increased from \$515,909 for the year ended December 31, 2014 to \$792,106 for the year ended December 31, 2015. The increase is primarily due to an increase in costs of approximately \$99,500 in connection with work around the Company's continuous disclosure surrounding its public filings as well as costs in connection with the sale of GFI.
- Research and development costs increased to \$1,636,245 for the year ended December 31, 2015 from \$654,386 for the same period in 2014 due to research and development costs incurred in connection with XwinSys' strategy for building on its modular hybrid concept to add additional detection capabilities.
- Share-based compensation expense in the amount of \$44,000 (2014 - \$nil) for the year ended December 31, 2015 was recognized on the granting of 575,000 stock options during 2015 (no stock options granted during the same period in 2014).

Expenses of \$1,568,736 for the three month period ended December 31, 2015 increased in comparison with the expenses of \$607,167 for the three month period ended December 31, 2014. The increase for the period is primarily due to the same reasons as the increase for the year ended December 31, 2015 described above as the increases in consulting and management and administration expenses occurred during the last quarter of 2015 and increases in administrative expenditures and research and development costs being the primary drivers of the increase in the remainder of the costs during the last quarter of 2015.

Discontinued operations

Expenses from discontinued operations of \$869,820 for the year ended December 31, 2015 increased in comparison with the expenses of \$667,375 for the year ended December 31, 2014. The increase for the period was primarily due to the following increases with all other expenditures remaining consistent between the two periods:

- Administration costs increased to \$460,062 for the year ended December 31, 2015 from \$271,283 for the same period in 2014 due to an increase in professional services and support costs primarily in connection with the sale of GFI to SICPA.

Expenses of \$182,458 for the three month period ended December 31, 2015 decreased in comparison with the expenses of \$171,746 for the three month period ended December 31, 2014. The decrease for the period was primarily due to reclassifications in the period for reallocation of consulting and management fees to cost of sales.

Other Income/Expenses

The Company also incurred a foreign exchange translation gain of \$98,092 for the year ended December 31, 2015, compared to a loss of \$37,496 for the year ended December 31, 2014. The Company's revenue is earned in US dollars. The Company is therefore subject to currency translation gains and losses due to fluctuations in these currencies relative to the Canadian dollar. During the year ended December 31, 2015, the exchange rate between the US dollar and Canadian dollar increased in favour of the US dollar thus resulting in a higher foreign exchange gain.

The Company had loans payable denominated in Euros in its subsidiary GFI. As at December 31, 2015 these loans are included in liabilities of discontinued operations. Included under finance expense of discontinued operations is interest expense of \$67,299 for the year ended December 31, 2015, compared to \$98,851 for the year ended December 31, 2014, related to the GFI loans payable, due to the former shareholders of GFI. Interest expense decreased during the current period ended December 31, 2015 in its source currency as well as in the reported amount in Canadian dollars. The Company also incurred a foreign exchange translation gain of \$125,920 from discontinued operations for the year ended December

31, 2015, compared to a gain of \$170,710 for the year ended December 31, 2014 reflecting the strengthening of the US dollar.

SELECTED FINANCIAL INFORMATION

The information below should be read in conjunction with the MD&A, the consolidated financial statements and related notes and other financial information. The following is for the periods ended:

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
	\$	\$	\$
Revenue from continuing operations	1,271,111	1,508,391	1,887,269
Revenue from discontinued operations	6,638,331	4,448,342	4,561,565
Total revenue	7,909,442	5,956,733	6,448,834
Income (Loss)			
- from continuing operations	(1,624,023)	(1,916,075)	(1,610,156)
- from discontinued operations	3,251,065	1,669,710	1,167,935
- net income (loss)	1,627,042	(246,365)	(442,221)
Income (Loss) per share			
- from continuing operations	(0.02)	(0.02)	(0.02)
- from discontinued operations	0.04	0.02	0.01
- net income (loss)	0.02	(0.00)	(0.00)
Total assets at end of year	9,897,556	6,876,195	7,230,829

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2015 \$	Q3 2015 \$	Q2 2015 \$	Q1 2015 \$
Revenue	402,312	275,491	266,711	326,597
Cost of sales	(317,804)	(144,284)	(191,607)	(180,710)
Gross profit	84,508	131,207	75,104	145,887
Expenses	(1,568,736)	(1,046,951)	(960,431)	(691,783)
Other expense (income)	2,109,000	-	-	-
Foreign exchange gain (loss)	(90,631)	(88,095)	195,068	81,830
Income from discontinued operations	869,152	788,128	583,452	1,010,333
	1,318,785	(346,918)	(181,911)	400,380
Net income (loss)	1,403,293	(215,711)	(106,807)	546,267
Basic and fully diluted income (loss) per share				
- from continuing operations	0.00	(0.01)	(0.01)	(0.01)
- from discontinued operations	0.01	0.01	0.01	0.01
- net income (loss)	0.02	(0.00)	(0.00)	0.01
Total assets at end of period	9,897,556	7,262,712	7,081,485	7,238,068

	Q4 2014 \$	Q3 2014 \$	Q2 2014 \$	Q1 2014 \$
Revenue	316,256	419,271	379,891	392,973
Cost of sales	(236,874)	(212,537)	(225,642)	(251,738)
Gross profit	79,382	206,734	154,249	141,235
Expenses	(607,167)	(712,668)	(665,534)	(474,901)
Other expense (income)	79	-	2	10
Foreign exchange loss (gain)	(398)	(46,317)	(16,191)	25,410
Income from discontinued operations	365,758	550,172	386,605	367,175
	(241,728)	(208,813)	(295,118)	(82,306)
Net income (loss)	(162,346)	(2,079)	(140,869)	58,929
Basic and fully diluted income (loss) per share				
- from continuing operations	(0.00)	(0.01)	(0.01)	(0.00)
- from discontinued operations	0.00	0.01	0.00	0.00
- net income (loss)	(0.00)	(0.00)	0.00	0.00
Total assets at end of period	6,876,195	7,115,271	7,082,649	7,685,769

Over the past eight quarters, revenues from continuing operations have ranged from a low of \$266,711 in the second quarter of 2015 to a high of \$419,271 in the third quarter of 2014. Revenues in the remaining periods have ranged between their more historical normal ranges of \$0.2 million to \$0.4 million. The revenue trend has seen sales decreasing from 2013 into 2015 which reflects the decrease in detectors and ancillary products revenue of Xenometrix. The trend picks up in the fourth quarter of 2015 due to the significant increase in foreign exchange rates between the US and Canadian dollars. The forecast trend sees sales picking up in 2016 due primarily to the sale of GFI to SICPA which is expected to increase the sale of ancillary devices from Xenometrix to SICPA through GFI. Cost of sales over the quarters varied depending on the level of customization on equipment sales. In 2014 a 50% margin over sales was maintained and this trend continued into 2015 with gross margin of approximately 48% during 2015. Cost of sales ranged from a low of \$144,284 in the third quarter of 2015 to a high of \$317,804 during the fourth quarter of 2015. The variance is attributed to and fluctuated based on the degree of customization on detector and ancillary equipment sales with gross profit varying in correlation as well as the effect of foreign exchange rates. Expenses also fluctuated somewhat quarter over quarter ranging from a low of \$474,901 in the first quarter of 2014 to a high of \$1,568,736 in the fourth quarter of 2015. Expenses are expected to be consistent quarter to quarter and usually range between \$600,000 to \$700,000, since the Company has recurring contracts and costs associated with these contracts are expected to be consistent quarter to quarter. There could be variations in research and development expenses that might affect the overall expense line. The higher trend in expenses during the second half of 2015 is due to the increased research and development costs in connection with a research agreement with Ramot at Tel Aviv University in Israel for the rights to a new patented technology focused on Nano imprinting security and authentication as well as XwinSys' strategy for building on its modular hybrid concept to add additional detection capabilities to enhance its overall inspection and analytical solutions. Expenses were higher than the expected range in the second and third quarter of 2015 as well due to work around the Company's continuous disclosure surrounding its public filings as well as work in connection with the negotiation and sale of GFI. These costs continued into the fourth quarter of 2015 which also saw an increase in the form of management compensation due to the granting of bonuses which contributed to the higher expenses in the last quarter of 2015. Income from discontinued operations has varied significantly from quarter to quarter and the fluctuations are mainly based on fluctuations in revenue from GFI contracts as well as expenditures reported by GFI.

Disclosure of Outstanding Share Data as of April 29, 2016

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	91,923,238 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 6,925,000 common shares b) Nil Warrants exercisable to acquire common shares of the Company

See note 13, 14 and 15 to the consolidated financial statements for the years ended December 31, 2015 and 2014 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, accounts payable and accrued liabilities, loans payable and amounts 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 15 of the audited consolidated financial statements for the years ended December 31, 2015 and 2014 for 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

Technology rights of \$254,909 as at December 31, 2015 (December 31, 2014 - \$2,288,941) represent technology rights assets relating to ED-XRF systems are being amortized over their estimated useful lives on a straight-line basis estimated to be ending in fiscal 2022.

Intellectual property that was purchased as part of the 100% acquisition of XwinSys has an attributed value of \$349,568. As at December 31, 2015, the carrying value of the intellectual property is \$249,692 (December 31, 2014 - \$299,630).

Total accounts payable, accrued liabilities, deposits received and liabilities amounted to \$3,083,652 as at December 31, 2015 (December 31, 2014 - \$2,063,407). The loans payable which are included in liabilities of discontinued operations amounted to \$975,741 (December 31, 2014 - \$1,150,165) and were due to former shareholders of GFI who advanced funds to GFI prior to its acquisition by the Company. The loans payable consisted of two amounts:

- Principal of €500,000 (\$746,068) (December 31, 2014 - €500,000 (\$698,066)) and accrued interest of €488,642 (\$729,120) (December 31, 2014 - €440,487 (\$614,978)) 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 loans payable was 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 bore an annual interest rate of 7.2%.

As at December 31, 2015, the Company repaid €334,720 (\$499,448), (December 31, 2014 - €116,664 (\$162,878)), resulting in an outstanding balance of €653,922 (\$975,741) (December 31, 2014 - €823,823 (\$1,150,165)).

Subsequent to year end, the loans were repaid concurrently with the closing of the sale of GFI, as described above.

LIQUIDITY AND CASH FLOWS

The Company ended fiscal 2015 with cash of \$2,155,501, compared to \$2,268,199 as at December 31, 2014. The Company had working capital of \$4,001,621 as at December 31, 2015 compared to working capital of \$1,640,429 as at December 31, 2014, including discontinued operations.

Cash provided from operating activities was \$860,815 during the year ended December 31, 2015 compared to cash used of \$527,939 during the year ended December 31, 2014. Changes to cash flows from operating activities primarily related to higher sales revenues for the period ended December 31, 2015 offset by an increase in cash from working capital balances, including discontinued operations. This change was mainly due to the timing of collection of accounts receivable, changes in inventory, and timing of payment of accounts payable and accrued liabilities.

Cash flows used in investing activities was \$773,608 during the year ended December 31, 2015, compared to cash used of \$72,160 during the year ended December 31, 2014. Investing activities mainly relate to equipment and intangible asset acquisitions and disposals and loans. The amount of cash used in investing activities was lower in the year ended December 31, 2015 due to cash held by the discontinued operation of \$955,859 (2014 - \$nil) offset by the deposit received on the sale of GFI as previously discussed.

Cash used in financing activities was \$37,500 during the year ended December 31, 2015 compared to cash used in financing activities of \$nil during the year ended December 31, 2014. Financing activities mainly relate to the issuance of shares. The increase was due to the exercise of stock options during the current period which resulted in proceeds of \$37,500 (2014 - \$nil).

Cash flows used in discontinued operations was \$368,349 during the year ended December 31, 2015, compared to cash provided of \$491,609 during the year ended December 31, 2014. Discontinued operations relate to the operations of GFI. The decrease in cash provided is due to higher sales in the current period offset by a decrease in cash from working capital balances. Repayment of shareholder loans in GFI was consistent resulting in \$298,736 (2014 - \$382,146) in repayments for the year ended December 31, 2015. GFI also received loan repayments of \$322,807 during the year ended December 31, 2014 as compared to \$nil during the same period in 2015 which also contributed to the decrease in cash provided from discontinued operations.

It is not possible to predict if the Company will maintain profitable levels of operations as the Company has posted net losses for several annual financial periods. Management of the Company expects that the Company's revenue from operations, together with its existing cash and other current assets, as well as the proceeds from sale of GFI will be adequate to meet its short-term working capital requirements during the next 12 months. As at December 31, 2015, the Company had working capital of \$4,001,621 (December 31, 2014 - \$1,640,429). This amount includes \$2,567,492 (December 31, 2014 - \$nil) in working capital related to the discontinued operations of GFI. Excluding the working capital from the assets and liabilities of the discontinued operations of GFI, working capital as at December 31, 2015 amounted to \$1,434,129 (December 31, 2014 - \$1,640,429). The Company has recorded revenues from continuing operations of \$1,271,111 and \$1,508,391, respectively, for the years ended December 31, 2015 and 2014. Although the Company reported a net income and comprehensive income and a net loss and comprehensive loss respectively for the years ended December 31, 2015 and 2014 of \$1,627,042 and \$246,365, excluding non-cash items, for the year ended December 31, 2015, direct amortization of \$453,202 (2014 - \$453,203) and depreciation of \$95,344 (2014 - \$81,554) was included and the Company earned \$2,175,588 and \$288,392 for the year ended December 31, 2015 and 2014, respectively. Based on working capital of \$4,001,621 (December 31, 2014 - \$1,640,429), the net income excluding non-cash items for the year ended December 31, 2015 and 2014, and the proceeds from the sale of GFI, the Company believes it will meet its working capital requirements for the next 12 months.

Additional Funding

The Company has no assurance that additional funding will be available to it for further development of its projects in the event that there is a shortfall from its operations that would result in the Company being unable to meet current obligations or further the development of its projects. Any additional funding will be dependent upon the Company's ability to obtain financing through joint ventures, equity or debt financing or other means. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business advancements.

The Company does not currently have any expenditure commitments that are required to maintain its current capacity, nor does it currently have any expenditure commitments in relation to growth and/or development that if not met would significantly affect the Company's current business operations. The Company allocates resources to development activities based on available resources and results of operations as well as industry outlook. Over the past few years, the Company's cash flows from operations have been sufficient to maintain its capacity and to fund its development activities. In the event that cash needs for development activities become greater than cash flows generated by operations, the Company will pursue additional funding through the channels described above.

The Company's liabilities are comprised of trade payables which are paid in accordance with normal trade terms. The Company does not have any additional expenditure commitments.

TRANSACTIONS WITH RELATED PARTIES

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

- For the year ended December 31, 2015, \$67,299 (2014 - \$98,851) in interest was charged on the loans payable as described in note 19 of the audited consolidated financial statements for the years ended December 31, 2015 and 2014.

Mr. Eli Zahavi, a former director of the Company, provided a loan to GFI prior to GFI's acquisition by the Company. As at December 31, 2015, the balance of that loan was \$145,776 (December 31, 2014 - \$174,182) which amount is included in loans payable as described in note 18. Subsequent to year end, the loan was repaid concurrently with the closing of the sale of GFI, as described above.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, 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.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2015 and 2014 were as follows:

For the years ended December 31,	Note	2015	2014
Bruce Rowlands (Chairman, CEO)	(i)	\$ 450,000	\$ 200,000
Gadi Gonen (Director and COO; CEO of GFI)	(ii)	346,538	319,800
Andres Tinajero (CFO)	(iii)	150,000	100,000
Doron Reinis (President of Xenemetrix and XwinSys)	(iv)	372,195	341,167
Eli Zahavi (Director)	(v)	96,041	82,808
Charlotte May (Corporate Secretary)	(vi)	121,000	36,000
Michael Rose (Director)	(vii)	15,660	13,249
Dennis Logan (Director)	(viii)	46,000	-
Paul Wood (Director)	(ix)	20,000	5,000
Kenneth Wawrew (Director)	(x)	15,000	-
		\$ 1,632,434	\$ 1,098,024

As of the date of this MD&A, Gadi Gonen, Eli Zahavi and Michael Rose are no longer directors of the Company.

Notes:

- For the year ended December 31, 2015, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid \$450,000 (2014 - \$200,000) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd. A bonus of \$250,000 is included in the total paid for the year ended December 31, 2015.
- For the year ended December 31, 2015, Gadi Gonen, was paid \$346,538 (2014 - \$319,800) for services as COO of the Company and for services as CEO of GFI, pursuant to an agreement entered into by the Company and Gadi Gonen. Commissions of \$70,425 are included in the year ended December 31, 2015 (2014 - \$81,000).
- For the year ended December 31, 2015, Andres Tinajero, through the Company, 2222263 Ontario Inc., was paid \$150,000 (2014 - \$100,000) in professional service fees for CFO services

- pursuant to an agreement entered into by the Company and 2222263 Ontario Inc. A bonus of \$50,000 is included in the total paid for the year ended December 31, 2015.
- (iv) For the year ended December 31, 2015, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid \$372,195 (2014 - \$341,167) in professional service fees for services as President of Xenemetrix and XwinSys pursuant to an agreement assumed by the Company when it acquired Xenemetrix in 2010.
 - (v) For the year ended December 31, 2015, Eli Zahavi, was paid \$94,041 (2014 - \$82,808) for consulting services as Chairman of GFI.
 - (vi) For the year ended December 31, 2015, Charlotte May, through her Company CMA Corporate Management, was paid \$121,000 (2014 - \$36,000) in professional service fees for Corporate Secretarial services pursuant to an agreement entered into by the Company and CMA Corporate Services. A bonus of \$50,000 is included in the total paid for the year ended December 31, 2015 (2014 - \$nil).
 - (vii) For the year ended December 31, 2015, Michael Rose, through his company Rose Partners, was paid \$15,660 (2014 - \$13,249) in Director fees.
 - (viii) For the year ended December 31, 2015, Dennis Logan, was paid \$15,000 (2014 - \$nil) in consulting fees and was issued 375,000 stock options with a value of \$31,000 (2014 - \$nil).
 - (ix) For the year ended December 31, 2015, Paul Wood, through his Company Kappa Advisors Ltd., was paid \$20,000 (2014 - \$5,000) in consulting fees.
 - (x) For the year ended December 31, 2015, Kenneth Wawrew, was paid \$15,000 (2014 - \$nil) in consulting fees.

As at December 31, 2015, an amount of \$627,589 (December 31, 2014 - \$81,467) due to members of key management personnel, was included in accounts payable and accrued liabilities and liabilities of discontinued operations. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

RISKS AND UNCERTAINTIES

The Company's Board of Directors has overall responsibility for the oversight of the Company's risk management policies. In carrying on its business, the Company is exposed to a variety of risks, including the risks described elsewhere in this MD&A. The Company can neither predict nor identify all such risks nor can it accurately predict the impact, if any, of such risks on its business, operations or the extent to which one or more risks or events may materially change future results of financial position from those reported or projected in any forward looking statements. Accordingly, the Company cautions the reader not to rely on reported financial information and forward-looking statements to predict actual future results. This MD&A and the accompanying financial information should be read in conjunction with this statement concerning risks and uncertainties. Some of the risks, uncertainties and events that may affect the Company, its business, operations, and results, are given in this section. However, the factors and uncertainties are not limited to those stated. The Company has policies and practices mandated by the Board of Directors to manage the Company's risks which include the risks described elsewhere in this MD&A and below.

The Company's ability to continue to generate revenue and achieve positive cash flow in the future is dependent upon various factors, including the level of market acceptance of its products, the degree of competition encountered by the Company, technology risks, general economic conditions, and the stability of foreign governments and regulatory requirements. Moreover, it is also possible that new competitors will enter the marketplace. The Company's future performance depends in part upon attracting and retaining key technical, sales and management personnel. There can be no assurance that the Company can retain these personnel. As such, new competitors 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.

Market Risk for Securities

The market price for Eurocontrol common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the technology sector, which have often been unrelated to the operating performance of particular companies.

Technology Risk

Eurocontrol's business is dependent upon advanced technologies which are susceptible to rapid technological change. There can be no assurance that the Company's services will not be seriously affected by, or become obsolete as a result of, such technological changes.

There is a risk that technologies similar to the Company's could reach the market before Eurocontrol's, that similar products may be developed that are more appealing to clients, or that they use advanced technology not incorporated in our business. There is also a risk that clients will not accept or adopt the Company's products. The occurrence of any of these events could decrease the amount of interest generated in the Company's business and prevent the Company from generating revenues or reduce its revenue generating potential.

Competitive and Pricing Risk

The Company's potential competitors may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, may have more extensive customer bases and broader customer relationships and may have longer operating histories and more brand recognition. In some cases, these companies may choose to offer their technology at lower prices or rates in response to new competitors entering the market. If the Company is unable to compete with such companies, the Company's revenue may be adversely affected and in the case of XwinSys' wafer bumps inspection system, the Company may be unable to establish demand for its technology, which could adversely affect the establishment of its operations and ability to begin generating revenues.

Intellectual Property Risk

The success of the Company's business depends in part on its ability to protect the intellectual property rights associated with its products and services.

Advertising and Promotional Risk

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for our business in the future, or will generate awareness of our technologies or services.

Uninsured or Uninsurable Risk

Eurocontrol may become subject to liability for risks against which the Company cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel Risk

The Company's success is reliant on its directors and officers developing the business and managing its operations, and on the ability to attract and retain key technical, sales and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that Eurocontrol will be able to attract or retain key personnel in the future, which may adversely impact its operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Eurocontrol will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we may be subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on favourable terms.

Foreign Customers

The Company's customers are located mainly in countries that may be considered to be politically and/or economically unstable. Dealing with foreign customers may require protracted negotiations with host governments, customs agencies and third parties and are frequently subject to economic and political considerations, such as, the risks of war, actions by terrorist or insurgent groups, renegotiation or nullification of existing contracts, taxation policies, foreign exchange restrictions, changing political conditions, international monetary fluctuations, and currency. In addition, if a dispute arises with foreign customers, the Company may be subject to the exclusive jurisdiction of foreign courts.

Other Risk Factors

As the Company has a history of losses, there is no assurance that its business will ever be consistently profitable. Eurocontrol has incurred substantial losses since the Company was founded. There is no assurance that the Company will generate an overall profit from its business in the future or that it will reach profitability on a sustained basis.

Eurocontrol may not be able to achieve commercialization of its combined ED-XRF technology with 2D and 3D image processing technology on the timetable Management anticipates, or at all. The Company cannot guarantee that it will be able to develop a commercially viable ED-XRF technology combined with automated 2D and 3D image processing technologies on the timetable it anticipates, or at all. The commercialization of our combined ED-XRF technology with automated 2D and 3D image processing technologies requires substantial technological advances. Eurocontrol cannot guarantee that it will be able to internally develop the technology necessary for commercialization. Further, if field tests reveal technical defects or the technology does not meet performance goals, commercialization could be delayed, and potential purchasers may decline to purchase our new system and products.

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. As a result, this amount has not been reflected in these consolidated financial statements. This lawsuit relates to discontinued operations.

As part of the asset purchase agreement of Xenemetrix from Jordan Valley Semiconductors Ltd. ("Jordan Valley"), dated June 12, 2008 and subsequent amendments, Xenemetrix agreed to pay up to US\$1.3 million by way of 5% royalties. Such payments will commence after the first four quarters where Xenemetrix has cumulative sales totaling more than US\$2 million in any calendar year, such cumulative sales number being calculated excluding sales or services to GFI. Should a default in payment occur and such default is not remedied within 14 days, then Jordan Valley has the right to take full exclusive ownership of the intellectual property. As the US\$2 million sales figure has not yet been met, the royalty payments have not been paid nor are they payable.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

As at December 31, 2015, there were no significant concentrations of credit risk for loans as the Company currently transacts with highly rated counterparties. The carrying amount reflected above represents the Company's exposure to credit risk for such loans and receivables. In the opinion of management of the Company, as at December 31, 2015, 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 classified as long term approximate fair value because of the limited terms of these instruments. It is not possible to determine if the loans payable are at fair value as there is no comparable market value for such loans.

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 reporting 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, 2015, the Company had a cash balance of \$2,155,501 (December 31, 2014 - \$2,268,199) to settle current liabilities of \$3,083,652 (December 31, 2014 - \$2,063,407). Working capital for the Company as at December 31, 2015 was \$4,001,621 (December 31, 2014 - \$1,640,429), including discontinued operations.

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

Market Risk

(a) Interest rate risk

The Company carried loans payable with interest and repayment terms as described in note 19. 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 Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries is the US 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, 2015 is as follows:

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	\$ 431,511	\$ 1,723,990	\$ -	\$ 2,155,501
Amounts receivable	101,736	359,200	-	460,936
	\$ 533,247	\$ 2,083,190	\$ -	\$ 2,616,437
Financial liabilities				
Accounts payable and accrued liabilities	\$ 734,575	\$ 720,346	\$ -	\$ 1,454,921
Amounts payable	-	-	-	-
	\$ 734,575	\$ 720,346	\$ -	\$ 1,454,921

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 \$163,000 (2014 - \$178,000) based on the foreign currency balances at December 31, 2015. This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

(c) Price risk

The Company's subsidiary Xenometrix, through its exclusive long term supply, maintenance and support agreement with SIPCA/GFI to supply Xenometrix products and services related to oil and gas marking and monitoring field may be exposed to price risk with respect to commodity prices, specifically oil. The Company's future operations could 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 is exposed to significant political risk as a result of its client base being developing countries. Some of the Company's clients are located in Uganda, Tanzania, Albania, Belarus, China, India, and others, each of which may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement, labour unrest and the creation of new laws. Significant changes to laws in the past have resulted in civil unrest, crime and armed banditry in locations such as Uganda. At the present time, the Canadian government is advising high degree of caution in Tanzania due to the threat of terrorism.

The Company's subsidiary Xenemetrix, through its exclusive long term supply, maintenance and support agreement with SIPCA/GFI to supply Xenemetrix products and services related to oil and gas marking and monitoring field currently has clients in jurisdictions and countries in which access to infrastructure, political stability and security, among other things, may be unknown, or known, and prevent, or severely compromise, the Company from carrying out its business. It may be that the Company accepts some or all of these risks, to the extent that they can be determined at all, in favour of securing new customers, and may ultimately be prevented from delivering the products that the Company sells, which may, or may not, be predictable, foreseeable, or manageable. No assurance can be given that the Company will be successful in maintaining its existing customers.

The management team continues to investigate and understand the risks of operating in developing countries and it continuously monitors the political climate.

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 loans payable 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 loans payable 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, 2016 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after

January 1, 2018. The Company has not yet determined the impact of the amendments on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

In December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”) to improve the effectiveness of presentation and disclosure in financial reports with the objective of reducing immaterial note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

IAS 38 - Intangible Assets (“IAS 38”) and IAS 16 – Property, Plant and Equipment (“IAS 16”), were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. Management has determined the standard is not applicable to the Company.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The consolidated financial statements have been prepared in accordance with IFRS 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.

May 2, 2016

W. Bruce Rowlands
Chairman, President and CEO