

Management's Discussion and Analysis
For the nine month period ended September 30, 2016

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis ("MD&A") is current to November 25, 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 unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2016 and 2015 and notes thereto and 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") and the OTCQB Venture Market under the symbols "EUO" and "EUCTF", respectively. The Company specializes in the acquisition, development and commercialization of innovative test and measurement equipment for the authentication, verification and certification markets globally through its two wholly-owned subsidiaries: Xenemetrix Ltd. ("Xenemetrix") and XwinSys Technology Development Ltd. ("XwinSys"). Eurocontrol also participates in the energy security market through its agreement with SICPA S.A. ("SICPA") of Switzerland for earn-out payments of 5% (minimum \$9 million, \$1.5 million per year payable as to \$750,000 every six months) on revenues generated from the oil and gas marking and monitoring field relating to the sale of its former subsidiary Global Fluids International (GFI) S.A. ("GFI") to SICPA in January 2016 and a current Memorandum of Understanding ("MOU") with DigiFlex Ltd., a private Israeli company that holds patents in inks and printing, to form a joint venture that will focus on developing technology to address security inks to provide a security solution to governments and product brands protection to industry.

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, including the analysis of petroleum oils and fuel. Xenemetrix has an exclusive long term supply, maintenance and support agreement with SICPA GFI to supply Xenemetrix products and services related to the oil and gas marking and monitoring field, a MOU

with Netafim and a joint venture with DigiFlex.

XwinSys has developed fully automated patented metrology technology for the semi-conductor manufacturing process that combines Xenometrix's ED-XRF technology and 3D automated vision technologies.

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.

Eurocontrol's international operations expose the Company to additional risk unique to such international markets. Eurocontrol intends to grow its international business operations.

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 focusing its resources and capital in pursuit of higher growth strategies. This strategic plan commenced with the sale of the Company's former wholly-owned subsidiary, GFI to SICPA that closed January 4, 2016. The Company receives an earn out payment from SICPA GFI for a six to nine year period. 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) ED-XRF agricultural applications in precision farming; (3) combining ED-XRF and 2D-3D vision technologies to develop metrology technology for the semi-conductor and related microelectronics industry; (4) ED-XRF applications in security ink printing to combat counterfeit products; and (5) monitoring solutions for marine vessels and geological mapping. 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 committed to investments of US\$2 million in 2016 in R&D programs within Xenometrix and XwinSys to facilitate product development and growth in these core businesses. Additionally, 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. To this end, the Company is engaged in a comprehensive global search for suitable merger and acquisition candidates.

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 \$410,858.
- 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.
- As of the date of the MD&A, the Company received the first of the guaranteed earn out payments of \$750,000 from SICPA SA.

LEADERSHIP TEAM

W. Bruce Rowlands - Chairman, President and Chief Executive Officer

Andres Tinajero – Chief Financial Officer

Doron Reinis – Chief Operating Officer

Charlotte May – Corporate Secretary

Gilles Léraillé - Director

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 is 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 is leveraging 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, Xenometrix 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 and a minimum of \$9 million in earn-out payments over the Minimum Earn-out Amount Period. After closing the sale of GFI to SICPA, Eurocontrol is now focused on growing the proprietary technology product offerings of its remaining two wholly owned

subsidiaries. Management is also evaluating other potential investment opportunities that it anticipates will enhance the Company's growth profile and future profitability.

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

Xenemetrix

Xenemetrix accounted for \$947,484 (US\$716,486) (2015 - \$868,799 (US\$690,400)) of the revenue generated for the nine month period ended September 30, 2016, representing 100% (2015 – 15%) 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, in November 2015, 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 significantly improve the capabilities of Xenemetrix's existing product lines, as well as develop 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 is expanding its capabilities and product line by presenting new unique applications with the ED-XRF technology focusing its state of the art ability to measure and monitor through the development of a 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, geological mapping and heavy equipment monitoring these mobile platforms can also be utilized for agriculture applications such as "precise farming" where the monitoring of soil, plant and tree leaves during the different stages of the growth process will allow efficiencies in the fertilization and irrigation of agricultural soil and improve the growth yield and also in the security ink printing industry to identify and combat counterfeit products.

On March 28, 2016, the Company announced that Xenemetrix had entered into a 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 ED-XRF technology for farmers and the greater farming community. The solution to 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. Xenemetrix 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 Xenemetrix 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 Xenemetrix system is being developed to 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 large 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. As of the date of this MD&A, Netafim and Xenemetrix are finalizing verification of the methods that have been collaboratively developed. Significant progress has been advanced towards implementing new methods of measuring Nitrogen involving both hardware and software. Xenemetrix intends to initiate the process of commercialization that would provide an integrated solution for almond growers early in the second quarter of 2017.

On May 16, 2016, the Company announced that it had entered into a MOU with DigiFlex for a joint venture between Xenometrix and DigiFlex to investigate a new approach to security printing that will involve a three-stage coding system with simple implementation and ease of operation. Utilizing DigiFlex's unique ink solution that can be printed with high resolution on any surface (including glass, metals and plastics) and a hand-held reader based on Xenometrix's ED-XRF technology, the new technology will be able to identify the composition of elements in the ink and will also have the ability to identify a visual image printed with DigiFlex coded ink to identify and combat counterfeit products. As of the date of this MD&A, DigiFlex and Xenometrix have successfully completed feasibility tests and Eurocontrol has conducted a market survey and business plan to establish the business opportunity. Collaboration on the technology is continuing.

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 has finalized the integration of its novel XRF technology, named NMT (Noise-reduced Multilayer Thin-film measurement), 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 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. On May 10, 2016, Eurocontrol announced that XwinSys was granted a patent from the United States Patent and Trademark Office for its patent application covering a method and a system for inspection of voids in a bump. Testing of the XwinSys NMT technology has demonstrated superior performance for a wide variety of semiconductor applications and the Onyx and Agate Wafer Inspection System was well received at SEMICON West. 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 September 30, 2016, the funds received from granting institutions for fiscal years 2012 through 2016 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, 2015 and 2016, 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 has budgeted to invest up to US\$2.0 million in fiscal 2016. For the nine month period ended September 30, 2016, the Company's research and development expenditures are on track with approximately US\$1,094,000 of the US\$2.0 million amount budgeted for 2016 having been expended. 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. XwinSys has also 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)

SUMMARIZED FINANCIAL RESULTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue:				
- from continuing operations	250,631	275,491	947,484	868,799
- from discontinued operations	-	1,734,405	-	4,790,086
Total revenue	250,631	2,009,896	947,484	5,658,885
Cost of sales:				
- from continuing operations				
Cost of sales - direct production costs	(51,715)	(99,936)	(451,868)	(383,556)
Cost of sales - amortization and other non cash items	(44,348)	(44,348)	(133,045)	(133,045)
	(96,063)	(144,284)	(584,913)	(516,601)
- from discontinued operations				
Cost of sales - direct production costs	-	(520,455)	-	(1,544,475)
Cost of sales - amortization and other non cash items	-	(68,953)	-	(206,858)
	-	(589,408)	-	(1,751,333)
Gross profit - continuing operations	154,568	131,207	362,571	352,198
Gross profit - discontinued operations	-	1,144,997	-	3,038,753
Expenses - continuing operations	(1,665,927)	(1,046,951)	(5,367,280)	(2,699,165)
Expenses - discontinued operations	-	(343,878)	-	(687,362)
Other (expense) income - continuing operations	221,999	(88,095)	754,596	188,803
Other (expense) income - discontinued operations	-	(9,529)	-	49,213
Income tax recovery - continuing operations	100,000	-	308,000	-
Income tax expense - discontinued operations	-	(3,462)	-	(18,691)
Gain on sale of subsidiary - discontinued operations	-	-	16,484,172	-
Net income (loss) - continuing operations	(1,189,360)	(1,003,839)	(3,942,113)	(2,158,164)
Net income (loss) - discontinued operations	-	788,128	16,484,172	2,381,913
Net income (loss)	(1,189,360)	(215,711)	12,542,059	223,749
Basic loss per share				
- from continuing operations	(0.01)	(0.01)	(0.04)	(0.02)
- from discontinued operations	0.00	0.01	0.18	0.03
- net income (loss)	(0.01)	(0.00)	0.14	0.00
Diluted loss per share				
- from continuing operations	(0.01)	(0.01)	(0.04)	(0.02)
- from discontinued operations	0.00	0.01	0.17	0.03
- net income (loss)	(0.01)	(0.00)	0.13	0.00
EBITDA	(1,463,945)	(58,671)	14,335,515	702,562
EBIT	(1,522,763)	(195,291)	14,163,541	292,616

Continuing Operations

Revenue from continuing operations for the nine month period ended September 30, 2016 increased to \$947,484 (US\$716,486) from \$868,799 (US\$690,400) for the nine month period ended September 30, 2015, a 9% increase in Canadian dollar sales, which reflect a 4% increase in US dollar sales as well as by an increase in the exchange rate.

Revenue from continuing operations for the three month period ended September 30, 2016 decreased to \$250,631 (US\$193,009) from revenue of \$275,491 (US\$218,922) during the three month period ended September 30, 2015. The increase in revenue represents a 9% decrease in Canadian dollar sales, which reflects a 12% increase in US dollar sales, the overall difference is offset by the impact of foreign exchange rate between the Canadian and the US currency.

For the nine month period ended September 30, 2016, the Company had a gross profit from continuing operations of \$362,571 (2015 – \$352,198). For the three month period ended September 30, 2016 the Company had gross profit of \$154,568 (2015 – \$131,207). These amounts include non-cash cost of sales items consisting of amortization of technology rights and patents amounting to \$44,348 (2015 - \$44,348) for the three month period ended September 30, 2016, and \$133,045 (2015 - \$133,045) for the nine month period ended September 30, 2016. These non-cash cost of sales items are recurring costs based on the original development of the technology. Gross margin excluding these non-cash cost of sales items is 79% for the three month period ended September 30, 2016 (2015 – 64%) and 52% for the nine month period ended September 30, 2016 (2015 – 56%). The variance is due to US dollar sales relating to detectors and ancillary equipment having increased by 4% for the nine month period ended September 30, 2016 as well as an increase in foreign exchange between the US dollar and Canadian dollar which averaged 1.3224 for the nine month period ended September 30, 2016 compared to 1.2598 for the nine month period ended September 30, 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 increased from \$383,556 for the nine month period ended September 30, 2015 to \$451,868 for the nine month period ended September 30, 2016. This represents an increase of 18% in cost of sales, which contributed to the decrease in margin between the two periods. The increase is due to a higher fixed cost associated with the cost of sales. Other income and expenses increased by \$565,793 for the nine month period, mainly attributed to the accretion of the receivable with SICPA and gain in foreign currency translation.

Discontinued Operations

Revenue from discontinued operations, which relates to sales in GFI, for the three and nine month period ended September 30, 2016 was \$nil (US\$nil) as GFI was sold on January 4, 2016 as compared to \$1,193,066 (US\$1,091,053) and \$4,790,086 (US\$3,806,489) for the three and nine month period ended September 30, 2015, respectively.

For the three and nine month period ended September 30, 2016, the Company had a gross profit from discontinued operations of \$nil and \$nil respectively (2015 – \$1,144,997 and \$3,038,753 respectively). These amounts include non-cash cost of sales items consisting of amortization of technology rights and deferred development costs amounting to \$nil and \$nil respectively (2015 - \$68,953 and \$206,858 respectively) for the three and nine month period ended September 30, 2016. 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 nil% and nil% for the three and nine month period ended September 30, 2016 respectively (2015 – 70% and 68% respectively).

RESULTS OF OPERATIONS

EBITDA for the nine month period ended September 30, 2016 increased by \$13,632,953 to \$14,335,515 compared to \$702,562 for 2015. EBITDA for the three month period ended September 30, 2016 decreased by \$1,405,274 to \$(1,463,945) compared to \$(58,671) for 2015. EBITDA for the nine month period ended September 30, 2016 increased as a result of the one time gain on the sale of GFI, which resulted in a gain of \$16,484,172. For the three month period ended September 30, 2016 EBITDA was negative as compared to 2015 as the Company no longer has the revenue stream from GFI as compared to 2015 as well as due to the higher research and development budget and expenses incurred during the current period.

Net loss from continuing operations for the nine month period ended September 30, 2016 increased by \$1,783,949 to \$3,942,113 compared to \$2,158,164 for 2015. Net loss for the three month period ended September 30, 2016 increased by \$185,521 to \$1,189,360 compared to \$1,003,639 in 2015. The main driver of the loss is the continued investment in Research & Development within XwinSys and Xenemetrix.

For the nine month period ended September 30, 2016, EBITDA for continuing operations amounted to a loss of \$4,352,657 compared to a loss of \$2,000,157 in 2015. The decrease is due to a higher research and development costs reflecting the higher R&D budget for 2016.

The Company recorded a net income of \$12,542,059 for the nine month period ended September 30, 2016 compared to a net income of \$223,749 for the comparative nine month period ended September 30, 2015. The increased gain is primarily due to the gain on sale of subsidiary of \$16,484,172 (2015 - \$nil). For the three month period ended September 30, 2016, the Company recorded a net loss of \$1,189,360 compared to a net loss of \$215,711 for the comparative three month period ended September 30, 2015.

Direct cost of sales increased in the nine month period ended September 30, 2016 from 383,556 for 2015 to \$451,868 for 2016 for continuing operations. Direct costs of sale increased for continuing operations characterized by the sale of highly customizable ancillary equipment as described above.

Expenses

Continuing operations

Expenses from continuing operations of \$5,367,280 for the nine month period ended September 30, 2016 increased in comparison with the expenses of \$2,699,165 for the nine month period ended September 30, 2015. The increase for the period is primarily due to the following increases with remaining expenditures being consistent between the two periods:

- Consulting and management expenses increased to \$938,569 for the nine month period ended September 30, 2016 compared to \$568,082 for the nine month period ended September 30, 2015. The increase is primarily due to one time change of control payments triggered by the sale of GFI in the amount of \$214,500. Administration expenses increased from \$573,999 for the nine month period ended September 30, 2015 to \$857,395 for the nine month period ended September 30, 2016. The increase is primarily due to an increase in travel and other miscellaneous costs incurred as the Company seeks further business opportunities, and the increased activity with XwinSys.
- Research and development costs increased to \$2,511,654 for the nine month period ended September 30, 2016 from \$1,076,330 for the same period in 2015 due to research and development costs incurred in connection with Xenemetrix towards its ED-XRF technology and XwinSys towards its development of hybrid technology for the semiconductor and related microelectronics industries.

- Share-based compensation expense in the amount of \$394,000 (2015 - \$38,000) for the nine month period ended September 30, 2016 was recognized on the granting of 3,450,000 stock options during 2016 (200,000 stock options granted during the same period in 2015).

Expenses of continuing operations amounted to \$1,665,927 for the three month period ended September 30, 2016 increased in comparison with the expenses of \$1,046,951 for the three month period ended September 30, 2015. The increase for the period is primarily due the same reasons as the increase for the nine month period ended September 30, 2016 described above with the increase in research and development costs of \$351,140 being the primary driver of the increase in cost.

Discontinued operations

Expenses from discontinued operations of \$nil for the three and nine month periods ended September 30, 2016 decreased in comparison with the expenses of \$343,878 and \$687,362 for the three and nine month periods ended September 30, 2015. The decrease is due to the sale of GFI on January 4, 2016 resulting in no expenses during the three and nine month periods ended September 30, 2016.

Other Income/Expenses

The Company also incurred a foreign exchange translation gain of \$232,396 for the nine month period ended September 30, 2016, compared to a gain of \$188,803 for the nine month period ended September 30, 2015. The Company's revenue is earned in US dollars and therefore the Company is subject to currency translation gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. During the nine month period ended September 30, 2016 and 2015, the exchange rate between the US dollar and Canadian dollar increased in favour of the US dollar thus resulting in a foreign exchange gain.

The Company had loans payable denominated in Euros in its former 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 \$nil for the nine month period ended September 30, 2016, compared to \$50,176 for the nine month period ended September 30, 2015, related to the GFI loans payable, due to the former shareholders of GFI. As the loan was repaid on closing of the sale of GFI, there was no interest expense during the current period.

The Company also recorded interest accretion income of \$484,084 (2015 - \$nil) during the nine month period ended September 30, 2016 representing interest accretion on the long term portion of the earn out proceeds receivable from SICPA as per the terms of the sale of GFI.

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:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
	\$	\$	\$
Revenue from continuing operations	947,484	1,271,111	1,508,391
Revenue from discontinued operations	-	6,638,331	4,448,342
Total revenue	947,484	7,909,442	5,956,733
Income (Loss)			
- from continuing operations	(3,942,113)	(1,624,023)	(1,916,075)
- from discontinued operations	16,484,172	3,251,065	1,669,710
- net income (loss)	12,542,059	1,627,042	(246,365)
Income (Loss) per share			
- from continuing operations	(0.04)	(0.02)	(0.02)
- from discontinued operations	0.18	0.04	0.02
- net income (loss)	0.14	0.02	(0.00)
Total assets at end of period/year	20,632,177	9,897,556	6,876,195

SUMMARY OF QUARTERLY RESULTS

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

	Q3 2016 \$	Q2 2016 \$	Q1 2016 \$	Q4 2015 \$
Revenue	250,631	394,180	302,673	402,312
Cost of sales	(96,063)	(271,964)	(216,886)	(317,804)
Gross profit	154,568	122,216	85,787	84,508
Expenses	(1,665,927)	(1,746,322)	(1,955,031)	(1,568,736)
Other income (expense)	220,905	165,164	136,131	2,109,000
Foreign exchange gain (loss)	1,094	(565)	231,867	(90,631)
Income tax recovery	100,000	208,000	-	-
Income from discontinued operations	-	-	16,484,172	869,152
	(1,343,928)	(1,373,723)	14,897,139	1,318,785
Net income (loss)	(1,189,360)	(1,251,507)	14,982,926	1,403,293
Basic income (loss) per share				
- from continuing operations	(0.01)	(0.01)	(0.02)	0.00
- from discontinued operations	0.00	0.00	0.18	0.01
- net income (loss)	(0.01)	(0.01)	0.16	0.02
Total assets at end of period	20,632,177	21,818,201	23,336,951	9,897,556

	Q3 2015 \$	Q2 2015 \$	Q1 2015 \$	Q4 2014 \$
Revenue	275,491	266,711	326,597	316,256
Cost of sales	(144,284)	(191,607)	(180,710)	(236,874)
Gross profit	131,207	75,104	145,887	79,382
Expenses	(1,046,951)	(960,431)	(691,782)	(607,167)
Other expense (income)	-	-	-	79
Foreign exchange loss (gain)	(88,095)	195,068	(166,636)	(398)
Income tax recovery	-	-	-	-
Income from discontinued operations	788,128	583,452	1,258,798	365,758
	(346,918)	(181,911)	400,380	(241,728)
Net income (loss)	(215,711)	(106,807)	546,267	(162,346)
Basic and fully diluted income (loss) per share				
- from continuing operations	(0.01)	(0.01)	(0.01)	(0.00)
- from discontinued operations	0.01	0.01	0.01	0.00
- net income (loss)	(0.00)	(0.00)	0.01	(0.00)
Total assets at end of period	7,262,712	7,081,485	7,238,068	6,876,195

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 \$402,312 in the fourth quarter of 2015. Revenues in the remaining periods have ranged between the 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 Xenemetrix. 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 Xenemetrix to SICPA through GFI. Cost of sales over the quarters varied depending on the level of customization on equipment sales. During the 2014 quarters, a 39% margin over sales was maintained and this trend continued into 2015 with gross margin of approximately 34% 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 \$607,167 in the fourth quarter of 2014 to a high of \$1,955,031 in the first quarter of 2016. Expenses were consistent quarter to quarter during 2014 and into the first part of 2015 ranging between \$600,000 to \$700,000, since the Company had recurring contracts and costs associated with these contracts are expected to be consistent quarter to quarter. The trend has seen costs increase in 2015 and into 2016 with higher costs due to the sale of GFI and also due to the higher R&D budget in 2015 and into 2016. 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 additional funding towards the development of 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. During the first quarter of 2016, the Company also incurred change of control payments and other costs in connection with the closing of the sale of GFI to SICPA. 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 November 25, 2016

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	90,780,238 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 7,025, 000 common shares b) Nil Warrants exercisable to acquire common shares of the Company

See note 14, 15 and 16 to the condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2016 and 2015 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 and cash equivalents, marketable securities, amounts receivables, receivable under earn out agreement and accounts payable and accrued liabilities. 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 16 of the condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2016 and 2015 for full disclosure.

Assessment of Recoverability of Receivables

The carrying amount of amounts receivable, receivable under earn out agreement and long term portion of receivable under earn out agreement 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. The Company considers current receivables to be fully collectible.

CARRYING VALUE OF BALANCE SHEET ITEMS

Technology rights of \$159,318 as at September 30, 2016 (December 31, 2015 - \$254,909) 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 September 30, 2016, the carrying value of the intellectual property is \$212,238 (December 31, 2015 - \$249,692).

Total accounts payable, accrued liabilities, deposits received, taxes payable and liabilities of discontinued operations amounted to \$1,030,481 as at September 30, 2016 (December 31, 2015 - \$3,083,652). The loans payable which are included in liabilities of discontinued operations amounted to \$nil (December 31, 2015 - \$975,741) and were paid off on the closing of the sale of GFI to former shareholders of GFI who advanced funds to GFI prior to its acquisition by the Company. The loans payable consisted of two amounts:

- The total payable includes the principal amount of €nil (\$nil) (December 31, 2015 - €500,000 (\$746,068)) and accrued interest of €nil (\$nil) (December 31, 2015 - €488,642 (\$729,120)) loaned by former shareholders of GFI. These loans payable bear an annual interest rate of 7.2%. A former director of the Company was among creditors in respect of such loans.
- As at September 30, 2016, the Company repaid the total amount of principal and interest as the loans were repaid concurrent with the closing of the sale of GFI, as described above, (December 31, 2015 - €334,720 (\$499,448)), resulting in an outstanding balance of €nil (\$nil) (December 31, 2014 - €653,922 (\$975,741)).

LIQUIDITY AND CASH FLOWS

The Company ended the third quarter of fiscal 2016 with cash of \$8,543,242, compared to \$2,155,501 as at December 31, 2015. The Company had working capital of \$14,204,111 as at September 30, 2016 compared to working capital of \$4,001,621 as at December 31, 2015, including discontinued operations.

Cash used in operating activities was \$3,683,634 during the nine month period ended September 30, 2016 compared to cash provided of \$398,623 during the nine month period ended September 30, 2015. Changes to cash flows from operating activities primarily related to lower sales revenues for the period ended September 30, 2016 as well as higher costs in regards to research and development costs and consulting and management costs as well as payment of various bonuses accrued as at December 31, 2015 included in accounts payable and accrued liabilities.

Cash flows used in investing activities was \$4,396,528 during the nine month period ended September 30, 2016, compared to cash provided by of \$227,622 during the nine month period ended September 30, 2015, the difference is mainly attributed to the purchase of marketable securities of \$4,277,240 (2015 - \$nil).

Cash provided by financing activities was \$128,094 during the nine month period ended September 30, 2016 compared to cash provided by financing activities of \$37,500 during the nine month period ended September 30, 2015. Financing activities mainly relate to the exercise of stock options during the current period which resulted in proceeds of \$268,750 (2015 - \$37,500) offset by share repurchases of \$140,656 (2015 - \$nil).

Cash provided by discontinued operations was \$14,417,765 during the nine month period ended September 30, 2016, compared to cash provided by of \$15,969 during the nine month period ended September 30, 2015. Discontinued operations relate to the operations of GFI. The sale of GFI was closed on January 4, 2016, therefore there the increase in cash flows during the nine month period ended September 30, 2016 is due to the proceeds of \$14,417,765 (2015 - \$nil) received on the sale of GFI as previously discussed.

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 September 30, 2016, the Company had working capital of \$14,204,111 (December 31, 2015 - \$4,001,621). This amount includes \$nil (December 31, 2015 - \$2,567,492) 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 September 30, 2016 amounted to \$14,204,111 (December 31, 2015 - \$1,434,129). The Company has recorded revenues from continuing operations of \$947,484 and \$868,799, respectively, for the nine month periods ended September 30, 2016 and 2015 and net income of \$12,542,059 and \$223,749. Based on working capital of \$14,204,111 (December 31, 2015 - \$4,001,621), the net income for the nine month periods ended September 30, 2016 and 2015, and the proceeds from the sale of GFI and corresponding proceeds from the earn out agreement, the Company believes it will meet its working capital requirements for the next 12 months.

TRANSACTIONS WITH RELATED PARTIES

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

- For the nine month period ended September 30, 2016 \$nil (2015 - \$50,176) in interest was charged on the loans payable as described in note 20(c).

Mr. Eli Zahavi, a former director, provided a loan to GFI prior to GFI's acquisition by the Company. As at September 30, 2016, the balance of that loan is \$nil (December 31, 2015 - \$145,776) which is included in discontinued operations as described in note 20(c).

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 three and nine month periods ended September 30, 2016 and 2015 were as follows:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Bruce Rowlands (Chairman, CEO)	(i)	\$ 50,000	\$ 50,000	\$ 260,000	\$ 150,000
Gadi Gonen (Director and COO; CEO of GFI)	(ii)	-	71,933	107,250	273,190
Andres Tinajero (CFO)	(iii)	25,000	25,000	115,000	75,000
Doron Reinis (President of Xenemetrix and XwinSys)	(iv)	101,275	96,037	357,806	271,822
Eli Zahavi (Director)	(v)	-	24,510	107,250	70,785
Charlotte May (Corporate Secretary)	(vi)	24,000	14,000	100,000	37,000
Michael Rose (Director)	(vii)	-	3,922	-	11,326
Dennis Logan (Director)	(viii)	4,500	-	27,500	31,000
Paul Wood (Director)	(ix)	4,500	-	50,500	-
Kenneth Wawrew (Director)	(x)	4,500	-	58,500	-
		\$ 213,775	\$ 285,402	\$ 1,183,806	\$ 920,123

Notes:

- (i) For the three and nine month period ended September 30, 2016, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid \$50,000 and \$150,000 respectively (2015 - \$50,000 and \$150,000 respectively) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd. In addition, 975,000 stock options with a value of \$110,000 (2015 - \$nil) were issued.
- (ii) For the three and nine month period ended September 30, 2016, Gadi Gonen, the former COO of Eurocontrol and CEO of GFI, was paid \$nil and \$nil respectively (2015 - \$71,933 and \$273,190 respectively) 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 which agreement terminated effective January 4, 2016. A change of control payment of \$107,250 (2015 - \$nil) was made to Gadi Gonen in connection with the sale of GFI to SICPA.
- (iii) For the three and nine month period ended September 30, 2016, Andres Tinajero, through his Company, 2222263 Ontario Inc., was paid \$25,000 and \$75,000 respectively (2015 - \$25,000 and \$75,000 respectively) in professional service fees for CFO services pursuant to an agreement entered into by the Company and 2222263 Ontario Inc. In addition, 350,000 stock options with a value of \$40,000 (2015 - \$nil) were issued.
- (iv) For the three and nine month period ended September 30, 2016, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid \$101,275 and \$300,806 respectively (2015 - \$96,037 and \$271,822 respectively) in professional service fees for services as COO of Eurocontrol and as President of Xenemetrix and XwinSys pursuant to an agreement assumed by the Company when it acquired Xenemetrix in 2010. In addition, 500,000 stock options with a value of \$57,000 (2015 - \$nil) were issued.
- (v) For the three and nine month period ended September 30, 2016, Eli Zahavi, a former director and the former Chairman of GFI, was paid \$nil and \$nil respectively (2015 - \$24,510 and \$70,785 respectively) for consulting services as Chairman of GFI. A change of control payment of \$107,250 (2015 - \$nil) was made to Eli Zahavi in connection with the sale of GFI to SICPA.
- (vi) For the three and nine month period ended September 30, 2016, Charlotte May, through her Company CMA Corporate Management, was paid \$24,000 and \$72,000 respectively (2015 - \$14,000 and \$37,000 respectively) in professional service fees for Corporate Secretarial services

pursuant to an agreement entered into by the Company and CMA Corporate Services. In addition, 250,000 stock options with a value of \$28,000 (2015 - \$nil) were issued

- (vii) For the three and nine month period ended September 30, 2016, Michael Rose, a former director, through his company Rose Partners, was paid \$nil and \$nil respectively (2015 - \$3,922 and \$11,326 respectively) in Director fees.
- (viii) For the three and nine month period ended September 30, 2016, Dennis Logan, through his Company 9703373 Canada Inc., was paid \$4,500 and \$13,500 respectively (2015 - \$nil and \$nil respectively) in director fees and was personally issued 125,000 stock options with a value of \$14,000 (2015 – 375,000 options with a value of \$31,000).
- (ix) For the three and nine month period ended September 30, 2016, Paul Wood, through his Company Kappa Advisors Ltd., was paid \$4,500 and \$13,500 respectively (2015 - \$nil and \$nil respectively) in director fees and was issued 325,000 stock options with a value of \$37,000 (2015 - \$nil).
- (x) For the three and nine month period ended September 30, 2016, Kenneth Wawrew, was paid \$4,500 and \$18,500 (2015 - \$nil and \$nil respectively) in director fees and was issued 350,000 stock options with a value of \$40,000 (2015 - \$nil).

As at September 30, 2016, an amount of \$13,500 (December 31, 2015 - \$627,589) due to 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 included 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 that 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 due to 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 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 is exposed to customers that are located mainly in countries that may be considered to be politically and/or economically unstable.

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.

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 earn-out payments have not been paid nor are they payable.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivable under earn out agreement, long term portion of receivable under earn out agreement, amounts receivable, and accounts payable and accrued liabilities. In the opinion of management of the Company, Eurocontrol 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.

The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

As at September 30, 2016 and December 31, 2015, there were no significant concentrations of credit risk for cash and cash equivalents, marketable securities, receivable under earn out agreement, long term portion of receivable under earn out agreement and amounts receivable as the Company currently transacts with highly rated counterparties. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such cash and cash equivalents, marketable securities and receivables. As at September 30, 2016 and December 31, 2015, cash and cash equivalents and marketable securities were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities, receivable under earn out agreement, long term portion of receivable under earn out agreement amounts receivable, accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

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

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents, receivable under earn out agreement, amounts receivable, and long-term portion of receivable under earn out agreement. 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 capital markets 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 September 30, 2016, the Company had a cash and cash equivalents balance of \$8,543,242 (December 31, 2015 - \$2,155,501) to settle current liabilities of

\$1,030,481 (December 31, 2015 - \$3,083,652). Working capital for the Company as at September 30, 2016 was \$14,204,111 (December 31, 2015 - \$4,001,621).

Substantively all of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Market Risk

(a) 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 currency exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign currency risk.

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 \$59,000 (2015 - \$198,000) based on the foreign currency balances at September 30, 2016. 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.

The exposure of the Company's financial assets and liabilities to foreign currency risk as at September 30, 2016 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	\$ 8,166,219	\$ 377,023	\$ 8,543,242
Marketable securities	4,216,922	-	4,216,922
Amounts receivable	17,437	450,985	468,422
Current portion of receivable under earn out agreement	1,500,000	-	1,500,000
Receivable under earn out agreement	4,766,975	-	4,766,975
	\$ 18,667,553	\$ 828,008	\$ 19,495,561
Financial liabilities			
Accounts payable and accrued liabilities	\$ 116,553	\$ 818,928	\$ 935,481
	\$ 116,553	\$ 818,928	\$ 935,481

(b) Price risk

The Company holds various short term corporate bonds. The Company has classified these investments as fair value through profit and loss investments and such securities are subject to bond market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these corporate bond holdings in order to ensure that, if in the best interest of the Company, sale of the bonds is made under favourable conditions.

(c) *Commodities price risk*

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

(d) *Political risk*

The Company, through its earn-out payments and its subsidiary Xenematrix's exclusive long term supply, maintenance and support agreement with SIPCA/GFI to supply Xenematrix products and services related to oil and gas marking and monitoring field is exposed to SICPA/GFI's business which operates 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 earning ear-out payments and carrying out its business, respectively.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Adoption of New Standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of the amendment did not have an impact 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 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of the amendment did not have an impact on the Company's financial statements.

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, 2017 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.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements with management. The Board of Directors has approved the unaudited interim condensed consolidated financial statements on the recommendation of the Audit Committee.

November 25, 2016

W. Bruce Rowlands
Chairman, President and CEO