EUROCONTROL TECHNICS GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2017 and 2016

(In Canadian dollars)

(UNAUDITED)

EUROCONTROL TECHNICS GROUP INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

EUROCONTROL TECHNICS GROUP INC.

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

As at,	Notes	March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	6	$ 9,616,001	$ 8,636,990
Marketable securities	5	711,786	2,709,155
Amounts receivable	9	859,126	605,728
Current portion of long term receivable	20	1,500,000	1,500,000
Inventories	10	551,553	619,385
Prepaid expenses		173,392	29,243
Total current assets		13,411,858	14,100,501
Non-current assets			
Long term receivable	20	4,323,295	4,936,180
Equipment	11	288,735	276,714
Technology rights	12	95,590	127,454
Intellectual property	7	187,269	199,754
Total non-current assets		4,894,889	5,540,102
TOTAL ASSETS		$ 18,306,747	$ 19,640,603
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13, 18	$ 1,077,474	$ 982,787
Total current liabilities		1,077,474	982,787
Non-current liabilities			
Deferred tax liability	20	37,000	95,000
Total liabilities		1,114,474	1,077,787
Shareholders' equity			
Issued capital	14	14,942,091	14,946,541
Share-based payment reserve	16	557,513	519,513
Accumulated other comprehensive income		188,076	213,370
Retained earnings		1,504,593	2,883,392
Total shareholders' equity		17,192,273	18,562,816
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 18,306,747	$ 19,640,603

Nature of operations (note 1)
Commitments and contingencies (note 22)

APPROVED ON BEHALF OF THE BOARD:

Signed *"W. Bruce Rowlands"*, Director

Signed *"Dennis Logan"*, Director

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

EUROCONTROL TECHNICS GROUP INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited
(Expressed in Canadian dollars)

For the three month periods ended March 31,	Notes	2017	2016
Revenue	8	$ 560,248	$ 302,673
Cost of sales	10	(372,758)	(172,537)
Direct amortization	7, 12	(44,349)	(44,349)
Gross profit		143,141	85,787
Expenses			
Consulting and management	18	268,869	449,052
Depreciation	11	16,671	11,920
Administration		260,273	231,768
Sales and marketing expenses		308,523	142,813
Research and development		827,009	688,619
Public company costs		46,585	51,859
Share-based expense	16	38,000	379,000
Total expenses		1,765,930	1,955,031
Loss before the undernoted		(1,622,789)	(1,869,244)
Other income and expense			
Finance income		52,825	5,401
Foreign currency translation gain (loss)		(6,581)	231,867
Realized loss on marketable securities	5	(17,226)	-
Unrealized gain (loss) on marketable securities	5	19,857	(26,802)
Interest accretion on long term receivable	20	137,115	157,532
		185,990	367,998
Loss before income taxes		(1,436,799)	(1,501,246)
Deferred tax		58,000	-
Loss from continuing operations		(1,378,799)	(1,501,246)
Income from discontinued operations	20	-	16,484,172
Net income (loss)		$ (1,378,799)	$ 14,982,926

	2017	2016
Earnings (loss) per share		
From continuing operations		
- Basic	$ (0.02)	$ (0.02)
- Diluted	$ (0.02)	$ (0.02)
From discontinued operations		
- Basic	$ -	$ 0.18
- Diluted	$ -	$ 0.17
Net earnings		
- Basic	$ (0.02)	$ 0.16
- Diluted	$ (0.02)	$ 0.15
Weighted average common shares outstanding		
- Basic (Note 14)	91,762,905	91,019,249
- Diluted (Note 14)	91,762,905	97,944,249

	2017	2016
Net income (loss)	$ (1,378,799)	$ 14,982,926
Other comprehensive income (loss) - items that may subsequently reclassify into income or loss		
Exchange differences on translation of foreign subsidiaries	(25,294)	(14,860)
Comprehensive income (loss)	$ (1,404,093)	$ 14,968,066

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

EUROCONTROL TECHNICS GROUP INC.

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

	Number of Shares	Issued Capital	Share-based Payment Reserve	Retained earnings (deficit)	Accumulated Other Comprehensive Income	Total
		(Note 14)	(Note 16)			
Balance as at December 31, 2015	90,535,738	$ 14,738,917	$ 384,093	$ (8,780,062)	$ 470,956	$ 6,813,904
Exercise of stock options	2,387,500	397,700	(128,950)	-	-	268,750
Share-based expense	-	-	379,000	-	-	379,000
Expiry of stock options	-	-	(129,630)	129,630	-	-
Exchange gain on translation of foreign subsidiaries	-	-	-	-	(14,860)	(14,860)
Transfer of cumulative translation difference on sale of subsidiary					(276,000)	(276,000)
Net income for the period	-	-	-	14,982,926	-	14,982,926
Balance as at March 31, 2016	92,923,238	$ 15,136,617	$ 504,513	$ 6,332,494	$ 180,096	$ 22,153,720
Share repurchase and cancellation	(1,143,000)	(190,076)	-	-	-	(190,076)
Share-based expense	-	-	15,000	-	-	15,000
Exchange gain on translation of foreign subsidiaries	-	-	-	-	33,274	33,274
Net loss for the period	-	-	-	(3,449,102)	-	(3,449,102)
Balance as at December 31, 2016	91,780,238	$ 14,946,541	$ 519,513	$ 2,883,392	$ 213,370	$ 18,562,816
Share repurchase and cancellation	(30,000)	(4,450)	-	-	-	(4,450)
Share-based expense	-	-	38,000	-	-	38,000
Exchange gain on translation of foreign subsidiaries	-	-	-	-	(25,294)	(25,294)
Net loss for the period	-	-	-	(1,378,799)	-	(1,378,799)
Balance as at March 31, 2017	91,750,238	$ 14,942,091	$ 557,513	$ 1,504,593	$ 188,076	$ 17,192,273

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

EUROCONTROL TECHNICS GROUP INC.

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

For the three month periods ended March 31,	Notes	2017	2016
Cash provided by (used in):			
Operating activities			
Net income (loss) for the period		$ (1,378,799)	$ 14,982,926
Items not involving cash:			
Amortization of intellectual property	7	12,485	12,485
Depreciation of equipment	11	16,671	11,920
Amortization of technology rights	12	31,864	31,864
Share-based expense	16	38,000	379,000
Gain on sale of subsidiary	20	-	(16,484,172)
Deferred tax	20	(58,000)	-
Unrealized (gain) loss on marketable securities	5	(19,857)	26,802
Realized loss on marketable securities	5	17,226	-
Interest accretion on long term receivable	20	(137,115)	(157,532)
Unrealized foreign exchange (loss) gain		(24,551)	(248,503)
Working capital changes			
Change in amounts receivable		(253,398)	(190,884)
Change in inventories		67,832	(61,188)
Change in prepaid expenses		(144,149)	34,401
Change in accounts payable and accrued liabilities		94,687	(674,690)
Cash flows used in operating activities		(1,737,104)	(2,337,571)
Investing activities			
Equipment expenditures	11	(31,253)	(26,477)
Funds from long term receivable		750,000	-
Purchase of marketable securities, net of sales		2,000,000	(7,502,572)
Cash flows from (used in) investing activities		2,718,747	(7,529,049)
Financing activities			
Proceeds from exercise of stock options		-	173,900
Share repurchase and cancellation		(4,450)	-
Cash flows from (used in) financing activities		(4,450)	173,900
Cash flow from discontinued operations	20	-	14,417,765
Net increase in cash and cash equivalents for the year		977,193	4,725,045
Effect of exchange rate changes on cash and cash equivalents		1,818	(52,055)
Cash and cash equivalents, beginning of the period		8,636,990	2,155,501
Cash and cash equivalents, end of the period		$ 9,616,001	$ 6,828,491
Supplementary cash flow information			
Interest received		$ 52,825	$ -

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

1. NATURE OF OPERATIONS

Eurocontrol Technics Group Inc. ("Eurocontrol" or the "Company") is a publicly listed company incorporated in British Colombia and continued in the Province of Ontario. The Company specializes in the acquisition, development and commercialization of innovative test and measurement technologies and applications for key growth markets globally – energy security / fuel marking, ED-XRF Spectroscopy, wafer inspection and quality control metrology and precision agriculture.

The Company's shares are listed on the TSX Venture Exchange ("TSXV") and the OTCQB Venture Market and trade under the symbols "EUO" and "EUCTF", respectively. The head office and registered address of the Company is located at 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

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

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

- Cash consideration paid to the Company by SICPA on closing of $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 $984,485 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 to be equal to 5% of the net revenues to be 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, with a minimum guaranteed of $1.5 million per year for the six years earn - out period (total payment of at least $9,000,000).

- Additional post closing payments equal to 5% of the net revenues to be earned by GFI from contracts to be signed during the fourth through sixth years following closing payable until the third anniversary of such contracts.

As of March 31, 2017, $1,500,000 has been received and $7,500,000 remains receivable.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 25, 2017.

After the sale of GFI, the Company does not have an ongoing operation that generates enough cash to cover the Company's operating expenses, nevertheless, the Company is fully funded after the sale of the subsidiary.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2016 annual financial statements.

2. BASIS OF PRESENTATION (continued)

Basis of measurement (continued)

These financial statements do not include all information and disclosures required for the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2016. The interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with IFRS as issued by the IASB. The results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

Pending Accounting Standards

At the date of authorization of these condensed consolidated interim financial statements, the IASB and IFRIC had issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. The Company is currently assessing what impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in November 2013 and July 2014 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.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. No implementation date has been set.

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.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Pending Accounting Standards (continued)

IFRS 16 *Leases* ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

3. PRINCIPLES OF CONSOLIDATION

These condensed consolidated interim financial statements for the three month periods ended March 31, 2017 and 2016 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries are as follows:

Subsidiary	Country of Incorporation	Economic Interest	Basis of Accounting
Xenemetrix Ltd. ("Xenemetrix")	Israel	100%	Full consolidation
XwinSys Technology Development Ltd. ("XwinSys")	Israel	100%	Full consolidation
Croptimal Ltd. ("Croptimal")	Israel	100%	Full consolidation

For the year ended December 31, 2016, the balances and operations of GFI are presented under discontinued operations.

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

Business Combinations and Goodwill
On the acquisition of a subsidiary that meets the definition of a business, the acquisition method of accounting is used to account for the acquisition as follows:

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

3. PRINCIPLES OF CONSOLIDATION (continued)

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- ***Assets' carrying values and impairment charges*** - In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- ***Collection of amounts receivable and provision for doubtful accounts*** – Management continually assesses the status of collections of its amounts receivable. If an amount is deemed to not be collectable, a provision for doubtful accounts is recorded. The determination of the allowance for doubtful accounts is based on current information available and historical collections. The Company has historically had very low (nominal) to $nil bad debts.

- ***Impairment of technology rights, deferred development costs and intellectual property*** - While assessing whether any indications of impairment exist for technology rights, deferred development costs and intellectual property, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverability of such assets. Internal sources of information include the manner in which technology rights, deferred development and intellectual property assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's technology rights, deferred development costs and intellectual property, costs to sell the assets and the appropriate discount rate.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- ***Share-based payments*** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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

- ***Functional currency determination*** - The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21. The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

- ***Revenue Recognition – Agent vs Principal Determination*** – The Company's former subsidiary, GFI, had entered into separate fuel marking and monitoring services agreements with the governments of Tanzania and Uganda and concurrently has entered into separate fuel marker supply contracts for each country with unrelated parties to deliver the services under the agreements to the governments on behalf of the Company. The Company's former subsidiary received letters of indemnity from such unrelated parties in relation to the fulfillment of the government contracts. With regards to these government contracts, the Company made the determination as to whether it was acting as an agent or a principal under these agreements. Management assessed the facts and circumstances related to these government contracts and made the judgement that the Company's former subsidiary, GFI, was acting as an agent in respect of these government contracts and thus it only recorded revenues for the fuel marker supply contracts that the Company's former subsidiary, GFI, had with the unrelated parties. In making this judgement the Company determined that, while there were mixed indicators, in substance the Company's former subsidiary, GFI, was acting as agent because the unrelated parties, through the fuel marker supply contracts and related indemnifications provided to the Company by the unrelated parties, assumed the risks and rewards arising from the government contracts (such as inventory and credit risk and being responsible for collecting revenues, performing any activities and incurring the costs necessary to execute the government contracts).

(Expressed in Canadian dollars)

5. MARKETABLE SECURITIES

The balance at March 31, 2017 consists of various short term corporate bonds with a fair market value of $711,786 (December 31, 2016 - $2,709,155). As at March 31, 2017, these FVTPL investments have been measured at their fair value of $711,786 (December 31, 2016 - $2,709,155). The revaluation to market value resulted in an unrealized gain of $19,857 for the three month period ended March 31, 2017 (2016 – $26,802 unrealized loss) which has been recognized in the statements of income (loss) and comprehensive income (loss). During the three month period ended March 31, 2017 the Company also incurred a realized loss of $17,226 (2016 – $nil) on redemption of various bonds and interest income related to the bonds of $52,825 (2016 – $5,401).

6. CASH AND CASH EQUIVALENTS

The balance at March 31, 2017 consists of cash on deposit with major Canadian and Israeli banks in interest bearing accounts totaling $5,852,824 (December 31, 2016 - $3,629,470) and cashable guaranteed investment certificates with major Canadian banks of $3,763,177 (December 31, 2016 - $5,007,520) for total cash and cash equivalents of $9,616,001 (December 31, 2016 - $8,636,990).

7. INTELLECTUAL PROPERTY

The Company, through its wholly owned subsidiary XwinSys, holds intellectual property on image processing technology. The intellectual property is licensed until 2020. Intellectual property is being amortized over the estimated useful life on a straight-line basis of seven years.

Cost		
Balance as at December 31, 2015	$	349,568
Additions		-
Balance as at December 31, 2016		349,568
Additions		-
Balance as at March 31, 2017	$	349,568
Accumulated amortization		
Balance as at December 31, 2015	$	99,876
Amortization expense		49,938
Balance as at December 31, 2016		149,814
Amortization expense		12,485
Balance as at March 31, 2017	$	162,299
Carrying amounts		
Balance as at December 31, 2016	$	199,754
Balance as at March 31, 2017	$	187,269

(Expressed in Canadian dollars)

8. OPERATING SEGMENTS

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

The Company conducts its business as a single operating segment and all revenue is earned through its operations in Israel.

Geographical information

The Company's revenue from external customers by geographical location is detailed below.

Revenue from continuing operations:

	Revenue from external customers	
For the three month period ended March 31,	2017	2016
Africa	$ -	$ 8,777
North America	50,936	114,255
Asia	289,639	22,527
Europe	219,673	157,114
	$ 560,248	$ 302,673

Xenemetrix accounts for $560,248 (2016 - $302,673) of the revenue generated for the three month period ended March 31, 2017, representing 100% of revenue from continuing operations and 100% (2016 – 100%) of overall revenue including discontinued operations. Xenemetrix revenue is from sales of ED-XRF systems.

Equipment, deferred development costs and technology rights owned by GFI are included in discontinued operations as disclosed in Note 20.

Other than the long term receivable substantially all of the non-current assets are located in Israel.

(Expressed in Canadian dollars)

9. AMOUNTS RECEIVABLE

As at,	March 31, 2017	December 31, 2016
Trade receivables	$ 749,945	$ 519,927
Value added taxes receivables	109,182	77,501
Other	-	8,300
	$ 859,127	$ 605,728

At March 31, 2017, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 21. The Company holds no collateral for any receivable amounts outstanding as at March 31, 2017 and December 31, 2016.

10. INVENTORIES

As at,	March 31, 2017	December 31, 2016
Materials	$ 380,069	$ 380,652
Work in process	56,382	163,495
Finished goods	115,102	75,238
	$ 551,553	$ 619,385

For the three month periods ended March 31, 2017 and 2016, the cost of inventories recognized as an expense and included in cost of sales was $372,758 and $172,537 respectively.

(Expressed in Canadian dollars)

11. EQUIPMENT

		Office furniture, computers and equipment		Vehicles		Total
Cost						
Balance as at December 31, 2015	$	410,421	$	65,734	$	476,155
Additions		126,415		26,373		152,787
Disposals		-		(22,926)		(22,926)
Foreign exchange		(10,617)		(1,917)		(12,534)
Balance as at December 31, 2016	$	526,219	$	67,264	$	593,482
Additions		31,253		-		31,253
Disposals		-		-		-
Foreign exchange		(4,853)		(641)		(5,494)
Balance as at March 31, 2017	$	552,619	$	66,623	$	619,241
Accumulated depreciation						
Balance as at December 31, 2015	$	246,984	$	30,489	$	277,473
Depreciation		44,203		9,129		53,332
Disposals		-		(5,606)		(5,606)
Foreign exchange		(7,568)		(863)		(8,431)
Balance as at December 31, 2016		283,619	$	33,149	$	316,768
Depreciation		14,217		2,454		16,671
Disposals		-		-		-
Foreign exchange		(2,630)		(303)		(2,933)
Balance as at March 31, 2017	$	295,206	$	35,301	$	330,506
Carrying amounts						
Balance as at December 31, 2016	$	242,600	$	34,114	$	276,714
Balance as at March 31, 2017	$	257,413	$	31,322	$	288,735

(Expressed in Canadian dollars)

12. TECHNOLOGY RIGHTS

The Company, through its wholly owned subsidiary Xenemetrix, holds a licence to produce and sell EDXRF systems. The EDXRF systems are licensed until February 2018.

		XRF Systems
Cost		
Balance as at December 31, 2015	$	892,184
Additions		-
Balance as at December 31, 2016		892,184
Additions		-
Balance as at March 31, 2017	$	892,184
Accumulated amortization		
Balance as at December 31, 2015	$	637,275
Amortization expense		127,455
Balance as at December 31, 2016		764,730
Amortization expense		31,864
Balance as at March 31, 2017	$	796,594
Carrying amounts		
Balance as at December 31, 2016	$	127,454
Balance as at March 31, 2017	$	95,590

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,		March 31, 2017		December 31, 2016
Accounts payable	$	493,122	$	503,542
Accrued liabilities		584,352		479,245
	$	1,077,474	$	982,787

14. ISSUED CAPITAL

Authorized: Unlimited common shares without par value

	March 31, 2017	December 31, 2016
Issued capital	$ 14,942,091	$ 14,946,541
Fully paid common shares (1)	91,750,238	91,780,238

(1) As at March 31, 2017 and December 31, 2016, included in this number are 1,000,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

(Expressed in Canadian dollars)

14. ISSUED CAPITAL (continued)

Common shares issued:

	Number of Shares		Value of shares
Balance as at December 31, 2015	90,535,738	$	14,738,917
Exercise of stock options	2,387,500		268,750
Transfer of reserve for share based payments on exercise of options	-		128,950
Share repurchase and cancellation	(1,143,000)		(190,076)
Balance as at December 31, 2016	91,780,238	$	14,946,541
Share repurchase and cancellation	(30,000)		(4,450)
Balance as at March 31, 2017	91,750,238	$	14,942,091

Normal Course Issuer Bid:

On February 22, 2016, the Company commenced a normal course issuer bid which was effective until February 21, 2017. Under the terms of the issuer bid, the Company could acquire or repurchase for cancellation up to 8,705,557 issued common shares of the Company representing approximately 10% of the Company's estimated outstanding shares.

During the three month period ended March 31, 2017, 30,000 shares were purchased at a cost of $4,450. During the year ended December 31, 2016, 1,143,000 shares were purchased at a cost of $190,076. Any premium paid to purchase the shares in excess of the stated value is charged to retained earnings.

Diluted weighted average number of shares outstanding

	Three month periods ended December 31	
	2017	**2016**
Basic weighted average shares outstanding:	**91,762,905**	91,019,249
Effect of outstanding stock options	**-**	6,925,000
Diluted weighted average shares outstanding	**91,762,905**	97,944,249

During the three month period ended March 31, 2017, the Company had a net loss, as such, the diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease (loss) per share.

15. WARRANTS RESERVE

There were no warrants outstanding as of March 31, 2017 and December 31, 2016.

(Expressed in Canadian dollars)

16. SHARE-BASED PAYMENT RESERVE

Stock option plan

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

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant or in accordance with TSXV guidance.

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

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

Balance as at December 31, 2015	$	384,093
Share-based expense		394,000
Expiry of stock options		(129,630)
Exercise of stock options		(128,950)
Balance as at December 31, 2016	$	519,513
Share-based expense		38,000
Balance as at March 31, 2017	$	557,513

The following share-based payment arrangements were in existence as at March 31, 2017:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date	Exercise price	Fair value at grant date
3,200,000	3,200,000	March 11, 2013	March 11, 2018	$ 0.10	94,513
375,000	375,000	June 30, 2015	June 30, 2020	$ 0.13	31,000
3,350,000	3,350,000	February 19, 2016	February 19, 2021	$ 0.15	379,000
100,000	100,000	July 11, 2016	July 11, 2021	$ 0.19	15,000
300,000	300,000	January 6, 2017	January 6, 2022	$ 0.17	38,000
7,325,000	7,325,000				$ 557,513

The share options outstanding as at March 31, 2017 had a weighted exercise price of $0.13 (December 31, 2016: $0.13) and a weighted average remaining contractual life of 2.6 years (December 31, 2016: 2.8 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

(Expressed in Canadian dollars)

16. SHARE-BASED PAYMENT RESERVE (continued)

Fair value of share options granted in the three month period ended March 31, 2017

On January 6, 2017, 300,000 share options were granted to consultants of the Company to acquire the Company's shares at an exercise price of $0.17 until January 6, 2022. These share options had an estimated fair value of $38,000 at grant date.

The fair value of share options granted in the three month period ended March 31, 2017 was calculated using the following assumptions:

		Number of Options Granted
		06-Jan-17
		300,000
Grant date share price	$	0.17
Exercise price	$	0.17
Expected volatility		99%
Expected option life		5 years
Expected dividend yield		0%
Risk-free interest rate		1.12%

Fair value of share options granted in the year ended December 31, 2016

On February 19, 2016, 3,350,000 share options were granted to consultants of the Company to acquire the Company's shares at an exercise price of $0.15 until February 19, 2021. These share options had an estimated fair value of $379,000 at grant date.

On July 11, 2016, 100,000 share options were granted to a consultant of the Company to acquire the Company's shares at an exercise price of $0.19 until July 11, 2021. These share options had an estimated fair value of $15,000 at grant date.

The fair value of share options granted in the year ended December 31, 2016 was calculated using the following assumptions:

		Number of Options Granted		
		19-Feb-16		11-Jul-16
		3,350,000		100,000
Grant date share price	$	0.15	$	0.19
Exercise price	$	0.15	$	0.19
Expected volatility		103%		119%
Expected option life		5 years		5 years
Expected dividend yield		0%		0%
Risk-free interest rate		0.60%		0.53%

(Expressed in Canadian dollars)

16. SHARE-BASED PAYMENT RESERVE (continued)

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on historical prices of the Company, an expected dividend yield, and a risk free interest rate, as noted in the table below. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Movements in share options during the period:

The following reconciles the share options outstanding for the three month period ended March 31, 2017 and year ended December 31, 2016:

	Number of options	Weighted average exercise price
Balance as at December 31, 2015	6,862,500	$ 0.11
Granted	3,450,000	$ 0.15
Exercised	(2,387,500)	$ 0.11
Expired	(900,000)	$ 0.16
Balance as at December 31, 2016	7,025,000	$ 0.13
Granted	300,000	$ 0.17
Balance as at March 31, 2017	7,325,000	$ 0.13

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at March 31, 2017 and December 31, 2016 were as follows:

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at March 31, 2017				
Cash and cash equivalents	$ 9,616,001	-	-	$ 9,616,001
Marketable securities	711,786	-	-	711,786
Current portion of long term receivable	-	1,500,000	-	1,500,000
Long term receivable	-	4,323,295	-	4,323,295
Amounts receivable	-	749,945	-	749,945
Accounts payable and accrued liabilities	-	-	1,077,474	1,077,474

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at December 31, 2016				
Cash and cash equivalents	$ 8,636,990	-	-	$ 8,636,990
Marketable securities	2,709,155	-	-	2,709,155
Current portion of long term receivable	-	1,500,000	-	1,500,000
Long term receivable	-	4,936,180	-	4,936,180
Amounts receivable	-	519,927	-	519,927
Accounts payable and accrued liabilities	-	-	982,787	982,787

The Company classifies its financial instruments carried at fair value 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

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

As at March 31, 2017 and December 31, 2016, 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, long term receivable, amounts receivable, accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments. The long term receivable was discounted using a rate of 10%.

18. RELATED PARTY DISCLOSURES

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 month periods ended March 31, 2017 and 2016 were as follows:

For the three month periods ended March 31,	Note		2017		2016
Bruce Rowlands (Chairman, CEO)	(i)	$	50,000	$	160,000
Gadi Gonen (Director and COO; CEO of GFI)	(ii)		-		107,250
Andres Tinajero (CFO)	(iii)		25,000		65,000
Doron Reinis (President of Xenemetrix and XwinSys)	(iv)		103,672		157,813
Eli Zahavi (Director)	(v)		-		107,250
Charlotte May (Corporate Secretary)	(vi)		24,000		52,000
Gilles Leraille (Director)	(vii)		38,000		-
Dennis Logan (Director)	(viii)		4,500		18,500
Paul Wood (Director)	(ix)		4,500		41,500
Kenneth Wawrew (Director)	(x)		4,500		44,500
		$	254,172	$	753,813

Notes:

(i) For the three month period ended March 31, 2017, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid $50,000 (2016 - $50,000) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd. In addition, nil (2016 – 975,000) stock options with a value of $nil (2016 - $110,000) were issued.

(ii) For the three month period ended March 31, 2017, Gadi Gonen, the former COO of Eurocontrol and CEO of GFI, was paid a change of control payment of $nil (2016 - $107,250) in connection with the sale of GFI to SICPA.

(iii) For the three month period ended March 31, 2017, Andres Tinajero, through his Company, 2222263 Ontario Inc., was paid $25,000 (2016 - $25,000) in professional service fees for CFO services pursuant to an agreement entered into by the Company and 2222263 Ontario Inc. In addition, nil (2016 - 350,000) stock options with a value of $nil (2016 - $40,000) were issued.

(iv) For the three month period ended March 31, 2017, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid $103,672 (2015 - $100,813) 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, nil (2016 - 500,000) stock options with a value of $nil (2016 - $57,000) were issued.

18. RELATED PARTY DISCLOSURES (continued)

(v) For the three month period ended March 31, 2017, Eli Zahavi, a former director and the former Chairman of GFI, was paid a change of control payment of $nil (2016 - $107,250) in connection with the sale of GFI to SICPA.

(vi) For the three month period ended March 31, 2017, Charlotte May, through her Company CMA Corporate Management, was paid $24,000 (2016 - $24,000) in professional service fees for Corporate Secretarial services pursuant to an agreement entered into by the Company and CMA Corporate Services. In addition, nil (2016 - 250,000) stock options with a value of $nil (2016 - $28,000) were issued.

(vii) For the three month period ended March 31, 2017, Gilles Leraille, a director, was issued 300,000 stock options with a value of $38,000.

(viii) For the three month period ended March 31, 2017, Dennis Logan, through his Company 9703373 Canada Inc., was paid $4,500 (2016 - $4,500) in director and consulting fees and was personally issued nil (2016 - 125,000) stock options with a value of $nil (2016 – $14,000).

(ix) For the three month period ended March 31, 2017, Paul Wood, through his Company Kappa Advisors Ltd., was paid $4,500 (2016 - $4,500) in director fees and was issued nil (2016 - 325,000) stock options with a value of $nil (2016 - $37,000).

(x) For the three month period ended March 31, 2017, Kenneth Wawrew, was paid $4,500 (2016 - $4,500) in director fees and was issued nil (2016 - 350,000) stock options with a value of $nil (2016 - $40,000).

As at March 31, 2017, an amount of $14,846 (December 31, 2016 - $19,004) 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.

19. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management in the three month period ended March 31, 2017. The Company and its subsidiaries are not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

20. DISCONTINUED OPERATIONS

On January 4, 2016, the Company closed the sale of its subsidiary Global Fluids International (GFI) S.A. ("GFI"), to SICPA Finance SA ("SICPA"), a subsidiary of SICPA SA, a privately owned company based in Switzerland 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 of $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 $984,485 in settlement of loan amounts owing by Eurocontrol to certain former shareholders of GFI and a working capital adjustment of $410,853.

- Post-closing earn-out payments equal to 5% of the net revenues to be earned by GFI from contracts, inclusive of both marker and logistics to be entered into by it following the execution of the Purchase Agreement and during the period ending six years from the closing of the transaction, with a minimum guaranteed payment of $1.5 million per year for the six year earn-out period (total payment of at least $9,000,000).

- Additional post closing payments equal to 5% of the net revenues to be earned by GFI and contracts to be signed during the fourth through sixth years following closing payable until the third anniversary of such contracts.

The operating results for the three month period ended March 31, 2016 related to GFI have been presented separately as the income from discontinued operations in the consolidated statements of income and comprehensive income.

As a result of the transaction, the Company recognized a gain on disposal of $16,484,172 which was determined as follows:

Cash purchase price	$	15,030,773
Amount receivable under earn out agreement (see note 20(d))		6,532,891
Total purchase price		21,563,664
Net assets disposed of:		
Cash		955,859
Amounts receivable		563,726
Inventory		258,617
Prepaid expenses		19,266
Equipment		218,087
Technology rights		1,668,255
Deferred development costs		262,413
Trade and other payables		(402,990)
Loans payable		(975,741)
	$	2,567,492
Gain on disposition before taxes	$	18,996,172
Income tax provision		(2,512,000)
Gain on disposition	$	16,484,172

(Expressed in Canadian dollars)

20. DISCONTINUED OPERATIONS (continued)

As a result of the completion of the transaction, the Company reclassified the net gain from its GFI operations of $16,484,172 for the three month period ended March 31, 2016, as gain for the period from discontinued operations.

The breakdown of the income for the three month periods ended March 31, 2016 from discontinued operations is as follows:

Three month period ended March 31,		2016
Gain on sale of subsidiaries	$	18,996,172
Income before taxes		18,996,172
Income tax expense		(2,512,000)
Income from discontinued operations	$	16,484,172

As a result of the gain on sale of subsidiary, the Company recorded an income tax provision of $2,512,000 for the three month periods ended March 31, 2016. During the year ended December 31, 2016, the Company utilized non-capital losses which resulted in the decrease in tax payable on the sale of subsidiary and an income tax recovery in the amount of $308,000 which in addition to the utilization of non-capital losses available from prior year of $2,109,000 resulted in deferred tax liability of $95,000 as at December 31, 2016. The deferred tax liability has been further decreased as the Company utilized non-capital losses during the three month period ended March 31, 2017 resulting in a deferred tax liability of $37,000 as at March 31, 2017.

The cash flows provided by investing activities for the discontinued operations for the three month period ended March 31, 2017 were $nil (2016 – cash flows provided of $14,417,765).

Long term receivable:

As part of the sale of GFI, the Company is entitled to 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, with a minimum guaranteed payment of $1.5 million per year for the six year minimum earn-out period (total payment of at least $9,000,000).

The Company has estimated cash flows receivable to amount to the minimum earn-out amount of $9,000,000. Due to the difficulty in estimating the contingent portions of the earn out payments the Company has not recognized any additional amount above the minimum guaranteed portion. The estimated cash flows were discounted to $6,532,891 using a discount rate of 10%. The movement in the amount receivable under the earn out agreement during the three month period ended March 31, 2017 and year ended December 31, 2017 is as follows:

		March 31, 2017		December 31, 2016
Opening balance	$	6,436,180	$	-
Earn out receivable		-		6,532,891
Interest accretion		137,115		653,289
Instalment payments received		(750,000)		(750,000)
Total receivable under earn out agreement	$	5,823,295	$	6,436,180
Less: Current portion		1,500,000		1,500,000
Long term portion	$	4,323,295	$	4,936,180

21. FINANCIAL RISK FACTORS

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

Credit risk:

The Company's credit risk is primarily attributable to cash and cash equivalents, marketable securities, long term receivable, and amounts receivable. Financial instruments included in amounts receivable consist primarily of receivables due from customers. The total amount of the long term receivable is with one party, SICPA. Management believes that the credit risk concentration with respect to these financial instruments is minimal. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company's marketable securities consist of high quality investments with investment grades.

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. As at March 31, 2017, the Company had a cash and cash equivalents balance of $9,616,001 (December 31, 2016 - $8,636,990) to settle current liabilities of $1,077,474 (December 31, 2016 - $982,787). Working capital for the Company as at March 31, 2017 was $12,334,384 (December 31, 2016 - $13,117,714).

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 income by approximately $116,000 (2016 - $105,000) based on the foreign currency balances at March 31, 2017. 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.

21. FINANCIAL RISK FACTORS (continued)

The exposure of the Company's financial assets and liabilities to foreign currency risk as at March 31, 2017 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	$ 8,376,148	$ 1,239,853	$ 9,616,001
Marketable securities	711,786	-	711,786
Amounts receivable	24,578	834,548	859,126
Current portion of long term receivable	1,500,000	-	1,500,000
Long term receivable	4,323,295	-	4,323,295
	$ 14,935,807	$ 2,074,401	$ 17,010,208
Financial liabilities			
Accounts payable and accrued liabilities	$ 91,132	$ 986,342	$ 1,077,474
	$ 91,132	$ 986,342	$ 1,077,474

(b) Price risk
The Company holds various short term corporate bonds. The Company has classified these investments as FVTPL 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. A 1% change in interest rates over the next year would affect net income by approximately $7,000 (2016 - $75,000) based on the corporate bond balances at March 31, 2017.

(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 its former subsidiary 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. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. 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.

22. COMMITMENT AND CONTINGENCIES

(a) 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.

(b) Royalty-bearing grants from the Government of Israel to XwinSys for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and included as a deduction of research and development costs. Research and development grants amounted to approximately $nil for the three month period ended March 31, 2017. Royalty-bearing grants are repayable upon successful commencement of sales at a rate of 4% of sales up until the balance of the grants is repaid in full.

As of March 31, 2017, the balance of the grants received to date to be repaid is approximately $1,032,000 (December 31, 2016 – $1,042,000).

(c) 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 are to commence after the first four quarters where Xenemetrix has cumulative sales totaling more than US$2 million in any calendar year, such amount 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 and as such, no accrual has been made as of March 31, 2017 and December 31, 2016.