EUROCONTROL TECHNICS GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017

(In Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Eurocontrol Technics Group Inc. ("Eurocontrol" or the "Company") are the responsibility of management and the Board of Directors of the Company.

The consolidated financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Paul Wood"
Paul Wood
Interim Chief Executive Officer

"Andres Tinajero"
Andres Tinajero
Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of Eurocontrol Technics Group Inc.

Opinion

We have audited the consolidated financial statements of Eurocontrol Technics Group Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $8,872,079 during the year ended December 31, 2018 and, as of that date, the Company's accumulated deficit of $11,134,651. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and **Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jeremy East.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, Canada
March 19, 2019

EUROCONTROL TECHNICS GROUP INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at,	Notes		December 31, 2018		December 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents	7	$	946,611	$	6,500,080
Marketable securities	6		2,526,633		-
Amounts receivable	9		24,217		999,280
Current portion of long term receivable	17		1,300,000		1,500,000
Inventories	19 (b)		-		706,615
Prepaid expenses			-		41,544
Assets held for sale	19		-		-
Total current assets			4,797,461		9,747,519
Non-current assets					
Long term receivable	17		-		4,097,410
Equipment	19 (c)		-		547,123
Intellectual property	19 (a)		-		149,816
Total non-current assets			-		4,794,349
TOTAL ASSETS		$	4,797,461	$	14,541,868
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	10, 15	$	631,626	$	1,440,117
Total current liabilities			631,626		1,440,117
Shareholders' equity					
Issued capital	11		15,001,591		14,942,091
Share-based payment reserve	13		298,895		519,513
Accumulated other comprehensive income			-		142,337
Accumulated deficit			(11,134,651)		(2,502,190)
Total shareholders' equity			4,165,835		13,101,751
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	4,797,461	$	14,541,868

Nature of operations and going concern (note 1)
Events after the reporting period (note 21)

APPROVED ON BEHALF OF THE BOARD:

Signed *"Paul Wood"*, Director

Signed *"Dennis Logan"*, Director

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

EUROCONTROL TECHNICS GROUP INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2018	2017
Expenses			
Consulting and management	15	$ 1,365,965	$ 530,023
Administration		413,022	183,458
Travel and other		28,453	76,155
Public company costs		25,867	147,579
Share-based expense	13, 15	78,500	38,000
Total expenses		1,911,807	975,215
Loss before the undernoted		(1,911,807)	(975,215)
Other income and expense			
Finance income	6	20,920	83,366
Foreign currency translation gain (loss)		366,516	(11,355)
Unrealized gain (loss) on marketable securities	6	12,248	-
Realized gain (loss) on marketable securities	6	-	2,845
Interest accretion on long term receivable	17	314,370	661,230
Write down of long term receivable	17	(1,761,780)	-
		(1,047,726)	736,086
Loss before income taxes		(2,959,533)	(239,129)
Deferred tax recovery	20	-	95,000
Loss from continuing operations		(2,959,533)	(144,129)
Loss from discontinued operations	19	(5,912,546)	(5,279,453)
Net loss		$ (8,872,079)	$ (5,423,582)
Loss per share - basic and diluted			
From continuing operations		$ (0.03)	$ (0.00)
From discontinued operations		$ (0.06)	$ (0.06)
Net loss		$ (0.10)	$ (0.06)
Weighted average common shares outstanding		91,881,007	91,753,261
Net loss		$ (8,872,079)	$ (5,423,582)
Other comprehensive income (loss) - items that may subsequently reclassify into income or loss			
Exchange differences on translation of foreign subsidiaries		(142,337)	(71,033)
Comprehensive loss		$ (9,014,416)	$ (5,494,615)

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

EUROCONTROL TECHNICS GROUP INC.

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

	Number of Shares	Issued Capital	Share-based Payment Reserve	Retained earnings (deficit)	Accumulated Other Comprehensive Income	Total
		(Note 11)	(Note 13)			
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
Expiry of stock options	-	-	(38,000)	38,000	-	-
Exchange gain on translation of foreign subsidiaries	-	-	-	-	(71,033)	(71,033)
Net loss for the year	-	-	-	(5,423,582)	-	(5,423,582)
Balance as at December 31, 2017	91,750,238	$ 14,942,091	$ 519,513	$ (2,502,190)	$ 142,337	$ 13,101,751
Share-based expense - options	-	-	19,000	-	-	19,000
Share-based expense - RSU's	-	-	59,500	-	-	59,500
Exercise of RSU's	1,700,000	59,500	(59,500)	-	-	-
Expiry of stock options	-	-	(239,618)	239,618	-	-
Exchange loss on translation of foreign subsidiaries	-	-	-	-	(142,337)	(142,337)
Net loss for the year	-	-	-	(8,872,079)	-	(8,872,079)
Balance as at December 31, 2018	93,450,238	$ 15,001,591	$ 298,895	$ (11,134,651)	$ -	$ 4,165,835

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

EUROCONTROL TECHNICS GROUP INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2018	2017
Cash provided by (used in):			
Operating activities			
Net loss for the year		$ (8,872,079)	$ (5,423,582)
Items not involving cash:			
Write down of long term receivable	17	1,761,780	-
Share-based expense	13	78,500	38,000
Deferred tax		-	(95,000)
Realized loss on marketable securities	6	-	(2,845)
Unrealized gain on marketable securities		(12,248)	-
Interest accretion on long term receivable	17	(314,370)	(661,230)
Unrealized foreign exchange loss		(174,788)	4,588
Working capital changes			
Change in amounts receivable		(6,534)	11,749
Funds from long term receivable	17	2,850,000	1,500,000
Change in prepaid expenses		15,270	(3,365)
Change in accounts payable and accrued liabilities		672,444	(86,457)
Net change in working capital of discontinued operations		992,731	306,391
Cash flows used in operating activities		(3,009,294)	(4,411,751)
Investing activities			
(Purchase) Sales of marketable securities, net		(2,514,385)	2,712,000
Cash flows used by discontinued operations		(62,241)	(385,133)
Cash flows from (used in) investing activities		(2,576,626)	2,326,867
Financing activities			
Share repurchase and cancellation		-	(4,450)
Cash flows used in financing activities		-	(4,450)
Net increase (decrease) in cash and cash equivalents for the year		(5,585,920)	(2,089,334)
Effect of exchange rate changes on cash and cash equivalents		32,451	(47,576)
Cash and cash equivalents, beginning of the year		6,500,080	8,636,990
Cash and cash equivalents, end of the year		$ 946,611	$ 6,500,080

Supplementary cash flow information			
Interest received		$ 20,920	$ 83,366

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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'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 September 14, 2018, the Company entered into a share purchase agreement (the "Agreement") with DYG Holdings Ltd. (the "Purchaser"), pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to the Purchaser representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Croptimal Ltd., and Xwinsys Technology Development Ltd. (the "Discontinued Subsidiaries") for nominal consideration and the possibility of receiving post-closing earn-out payments, only if the Purchaser succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis. Due to the uncertainty of the earn-out payments, the fair value of this contingent consideration was assessed as $nil.

On October 31, 2018, the Sale Transaction was approved by shareholders at the Company's special meeting of shareholders and the Sale Transaction was finalized.

In its news release issued on July 31, 2018, the Company first announced its plans to discontinue its Israeli operations and that it had entered into a comprehensive agreement with SICPA Finance ("SICPA Finance"), SICPA SA, and SICPA Global Fluids Integrity SA ("GFI") that terminated the long term supply, maintenance and support agreement between Xenemetrix and GFI and settled the outstanding amount owing to the Company by SICPA Finance (the "SICPA Termination Agreement"). Under the terms of the SICPA Termination Agreement, SICPA Finance agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company in connection with its sale of GFI to SICPA, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. The SICPA Termination Agreement was entered into by the Company to help facilitate an orderly transition of its business, eliminate risk and to strengthen its short-term cash position.

The Company's management expects that the major changes to the Company's business and the accelerated payments provided for under the SICPA Termination Agreement will improve the Company's near term working capital position, by significantly reducing its operating costs and increasing its available cash. Management believes that this outcome could potentially make a broader range of strategic alternatives available to the Company as it continues to pursue value-enhancing opportunities.

The consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has a net loss in the year ended December 31, 2018 of $8,872,079 and an accumulated deficit of $11,134,651.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

The Company's ability to continue as a going concern is dependent upon attaining profitable operations, receipts under the SICPA Termination Agreement, and, if required, the ability to raise public equity financing to meet expenditure commitments. There is no assurance that these activities will be successful. The combination of these circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. However, the Company is confident that it has a reasonable expectation of collecting on the SICPA Termination Agreement and therefore, the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the annual report and consolidated financial statements. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumptions were not appropriate.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 19, 2019.

2. BASIS OF PRESENTATION

Statement of compliance
The Company's consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB").

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 5. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Adoption New Accounting Standards

The adoption of the following new standards, interpretations and amendments where included in the financial statements for the year beginning January 1, 2018.

IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9's key changes include but are not limited to eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

In implementing IFRS 9, the Company updated the financial instrument classifications within its accounting policy as follows:

	IAS 39	**IFRS 9**
Cash & Cash Equivalents	Fair Value through profit or loss	Fair Value through profit or loss
Marketable securities	Fair Value through profit or loss	Fair Value through profit or loss
Amounts receivable	Loans and Receivables, measured at amortized cost	Amortized cost
2017 - Current portion of long term receivable and long term receivable	Loans and Receivables, measured at amortized cost	Fair Value through profit or loss
2018 – Current portion of long term receivable	Loans and Receivables, measured at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. Long term receivable were classified as Loans and receivables as at December 31, 2017. Given the contingent earnout attached to the receivable balance, the long term receivable was determined to not be solely payments of principal and interest. Accordingly, the Company has designated the investment to be recognized at FVTPL under IFRS 9. There was no material impact on the Company’s consolidated financial statements upon adoption of this standard.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In implementing IFRS 15, the Company converted its revenue recognition policy into a five step model to recognize revenue upon satisfying performance obligations and transferring control of its inventory to its customers. The following is the new accounting policy for revenue recognition under IFRS 15: The five step model is summarized as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company, through its Discontinued Israeli Subsidiaries, has historically earned revenue from the sale of ED-XRF systems delivered to its customers, sold at a sales price based on customization of the system. The Company recognizes revenue when it transfers control of the ED-XRF systems to the customer, which generally occurs upon delivery. Payment is receivable on the date of transfer of control. There was no material impact on the Company’s consolidated financial statements upon adoption of this standard.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Pending Accounting Standards

At the date of authorization of these consolidated 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 has assessed the impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

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. The Company does not expect the adoption of the standard to have an impact on the Company's financial statements.

3. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements for the years ended December 31, 2018 and 2017 include the financial position, financial performance and cash flows of the Company and the Discontinued Subsidiaries. The Company's subsidiaries, prior to the Sale Transaction as described in notes 1 and 19, were 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

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.

3. PRINCIPLES OF CONSOLIDATION (continued)

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.

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 JUDGMENTS, 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 intellectual property*** - While assessing whether any indications of impairment exist for 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 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 intellectual property, costs to sell the assets and the appropriate discount rate.

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

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

- ***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.

5. SIGNIFICANT ACCOUNTING POLICIES

a) Presentation currency

The Company's presentation 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.

b) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the statements of income and comprehensive income in the period in which they occur. The Company translates the financial statements of the subsidiaries as follows: items in the statement of income and comprehensive income are translated into the presentation currency using the average exchange rate for the year. Assets and liabilities are translated at the year-end rate. All resulting exchange differences are reported as a separate component of other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in accumulated other comprehensive income, shall be reclassified from equity to consolidated statements of loss and comprehensive loss when the gain or loss on disposal is recognized.

c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

d) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, less sales taxes or duty.

The Company derives revenue from sales of Energy Dispersive X-Ray Fluorescence ("EDXRF") systems.

Applying the five step model required by IFRS 15, *Revenue from Contracts with Customers*, revenue is recognized as follows for these contracts:

- The contract is identified, which occurs upon the contractual arrangement being executed with the client.
- The performance obligations are identified, which comprise of a single performance obligation to deliver the EDXRF system to client specification.
- The transaction price is determined, which are fixed fees established in the contract.
- The transaction price is allocated to performance obligations, which is allocated to the single performance obligation.
- Revenue is recognized as performance obligations are satisfied, which occurs on passing of control upon delivery.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition (continued)

In general all of the above factors are met when control passes to the buyer on delivery but this may not always be the case. The terms of each contract are examined to determine when control has been transferred from the Company to the Buyer and the following factors are also considered:

- To what extent does the Company retain an obligation for unsatisfactory performance that is not covered by normal warranty provisions
- If the detectors are subject to installation, has the installation being completed and, if not, is installation a significant element of the contract
- Does the Buyer have the right to return the product and, if so, what degree of uncertainty is there in respect of returns. The Company provides returns based on sales history.

e) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 13.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statements of income and comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

f) Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method.

g) Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Taxation

Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

No deferred tax liability is recognized on taxable temporary differences associated with investments to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

No deferred tax asset is recognized on the deductible temporary differences associated with investments in subsidiaries as it is not probable that the temporary differences will reverse in the foreseeable future.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Equipment is depreciated over its estimated useful life on a straight line basis as follows:

Office furniture, computers and equipment	7% to 33%
Vehicle	15%

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and comprehensive income when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Major maintenance and repairs

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that is separately depreciated or replaced and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset is not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets with finite lives are carried at cost less any accumulated amortization on a straight-line basis over their useful lives and any accumulated impairment losses. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of income and comprehensive income when the asset is derecognised.

Intellectual property

Intellectual property is being amortized over the estimated useful life on a straight-line basis of seven years.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Intangible assets (continued)

Technology rights

Technology rights are amortized over their estimated useful lives on an annual straight-line basis as follows:

Licence - markers and detectors	10 years
Licence - XRF Systems	7 years

Deferred development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- the ability to use or sell the intangible asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Deferred development costs are amortized over their estimated useful life on a straight line basis as follows:

Marker development	straight-line over 10 years
Equipment development	straight-line over 3 years

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment of non-financial assets

The Company conducts annual internal assessments of the carrying values of non-financial assets including equipment and intangible assets (technology rights, deferred development costs and intellectual property). The carrying values of capitalised equipment and intangible assets are also assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets. This generally results in the Company evaluating its non-financial assets on a geographical or licence basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of income and comprehensive income so as to reduce the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognised in the statements of income and comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For indefinite life intangibles assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of income and comprehensive income. Impairment losses recognised in relation to goodwill or indefinite life intangibles are not reversed for subsequent increases in their recoverable amount.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company's only instruments measured at fair value through profit or loss are its short-term marketable securities, which are comprised of short term bonds. As such, they are classified as fair value through profit or loss based on the current trading value.

Amortized cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the consolidated statement of comprehensive loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk (as described in Note 18) since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents, amounts receivable and current portion of long term receivable.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Financial liabilities

The Company classifies its financial instruments into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category does not comprise any liabilities at December 31, 2018. These liabilities are classified and measured at fair value through profit and loss.

Other financial liabilities

Other financial liabilities include accounts payables and accrued liabilities and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

m) Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks and cash on hand and short term, highly liquid deposits which are either cashable or with original maturities of less than three months from the date of acquisition.

n) Inventories

Inventories consist of materials, work in process and finished goods, are stated at the lower of cost or net realizable value. Cost is determined using the FIFO (first in, first out) method. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion or estimated costs to make the sale.

o) Provisions

Provisions are recognised when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of income and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

p) Earnings (loss) per share

Basic earnings (loss) per common share has been computed by dividing the earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per common share reflects the potential dilution of common share equivalents such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. 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.

(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES

As at December 31, 2018, the balance consists of various short term corporate bonds with a fair market value of $2,526,633 (December 31, 2017 - $nil). As at December 31, 2018, these fair value through profit or loss investments have been measured at their fair value of $2,526,633.

During the year ended December 31, 2018, the Company recognized an unrealized gain of $12,248 (2017 - $nil) as the market value of various bonds increased.

During the year ended December 31, 2018, the Company recognized a realized loss of $nil (2017 - $2,845) on redemption of various bonds and interest income related to the bonds of $20,920 (2017 - $70,498).

7. CASH AND CASH EQUIVALENTS

The balance at December 31, 2018 consists of cash on deposit with major Canadian in interest bearing accounts totaling $936,611 (December 31, 2017 - $2,994,413) and cashable guaranteed investment certificates with major Canadian banks of $10,000 (December 31, 2017 - $3,505,667) for total cash and cash equivalents of $946,611 (December 31, 2017 - $6,500,080).

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 two operating segments, head office operations in Canada and sale of EDXRF systems in Israel. The operations in Israel have been presented as discontinued operations All revenue is earned through its operations in Israel, which were discontinued subsequent to October 31, 2018, see notes 1 and 19.

Geographical information

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

For the years ended December 31,		2018		2017
North America	$	282,661	$	356,654
Asia		342,063		857,456
Latin America		-		44,047
Europe		544,002		1,442,853
	$	1,168,726	$	2,701,010

Xenemetrix accounted for $1,168,726 (2017 - $2,701,010) of the revenue generated for the year ended December 31, 2018, representing 100% (2017 – 100%) of revenue and is included under discontinued operations. Xenemetrix revenue was from sales of EDXRF systems.

(Expressed in Canadian dollars)

9. AMOUNTS RECEIVABLE

As at December 31,	2018	2017
Trade receivables	$ -	$ 686,579
Value added taxes receivables	24,217	173,045
Other	-	139,656
	$ 24,217	$ 999,280

At December 31, 2018, 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 18. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2018 and December 31, 2017. See Note 19 for amounts receivable related to discontinued operations. All balances outstanding for greater than 90 days as at December 31, 2017 were collected subsequent to year-end.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2018	2017
Accounts payable	$ 77,126	$ 753,713
Accrued liabilities (Note 15)	554,500	686,404
	$ 631,626	$ 1,440,117

11. ISSUED CAPITAL

Authorized: Unlimited common shares without par value

	December 31, 2018	December 31, 2017
Issued capital	$ 15,001,591	$ 14,942,091
Fully paid common shares (1)	93,450,238	91,750,238

(1) As at December 31, 2018 and December 31, 2017, 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.

Common shares issued:

	Number of Shares	Value of shares
Balance as at December 31, 2016	91,780,238	$ 14,946,541
Share repurchase and cancellation	(30,000)	(4,450)
Balance as at December 31, 2017	91,750,238	$ 14,942,091
Exercise of RSU's (Note 13)	1,700,000	59,500
Balance as at December 31, 2018	93,450,238	$ 15,001,591

(Expressed in Canadian dollars)

11. ISSUED CAPITAL (continued)

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 year ended December 31, 2017, 30,000 shares were purchased at a cost of $4,450. 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

	Years ended December 31,	
	2018	2017
Basic weighted average shares outstanding:	**91,881,007**	91,753,261
Effect of outstanding stock options	**-**	-
Diluted weighted average shares outstanding	**91,881,007**	91,753,261

During the years ended December 31, 2018 and 2017, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

12. WARRANTS RESERVE

There were no warrants outstanding as of December 31, 2018 and December 31, 2017.

13. 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.

(Expressed in Canadian dollars)

13. SHARE-BASED PAYMENT RESERVE (continued)

The following options were outstanding as at December 31, 2018:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date	Exercise price	Fair value at grant date
375,000	375,000	June 30, 2015	June 30, 2020	$ 0.13	31,000
2,200,000	2,200,000	February 19, 2016	February 19, 2021	$ 0.15	248,895
700,000	700,000	August 22, 2018	August 22, 2023	$ 0.06	19,000
3,275,000	3,275,000				$ 298,895

The share options outstanding as at December 31, 2018 had a weighted exercise price of $0.13 (December 31, 2017: $0.13) and a weighted average remaining contractual life of 2.49 years (December 31, 2017: 1.77 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.

Fair value of share options granted in the year ended December 31, 2018

On August 22, 2018, 700,000 share options were granted to directors and officers of the Company to acquire the Company's shares at an exercise price of $0.06 until August 22, 2023. These share options had an estimated fair value of $19,000 at grant date.

The fair value of share options granted in the year ended December 31, 2018 was calculated using the following assumptions:

		Number of Options Granted
		22-Aug-18
		700,000
Grant date share price	$	0.035
Exercise price	$	0.06
Expected volatility		119%
Expected option life		5 years
Expected dividend yield		0%
Risk-free interest rate		2.18%

Fair value of share options granted in the year ended December 31, 2017

On January 6, 2017, 300,000 share options were granted to a director 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.

(Expressed in Canadian dollars)

13. SHARE-BASED PAYMENT RESERVE (continued)

The fair value of share options granted in the year ended December 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%

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 year:

The following table reconciles the share options outstanding for the years ended December 31, 2018 and 2017:

Balance as at December 31, 2016	7,025,000	$	0.13
Granted	300,000	$	0.17
Forfeited	(300,000)	$	0.17
Balance as at December 31, 2017	7,025,000	$	0.13
Granted	700,000	$	0.06
Expired	(4,175,000)	$	0.10
Forfeited	(275,000)	$	0.15
Balance as at December 31, 2018	3,275,000	$	0.13

Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of up to 3,000,000 restricted share units (RSUs) 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. Each RSU represents an entitlement to one common share of the Company, upon vesting. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long-term performance goals are subject to determination by the Company's Board of Directors and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the share based payment reserve.

(Expressed in Canadian dollars)

13. SHARE-BASED PAYMENT RESERVE (continued)

Of the 3,000,000 shares authorized for issuance under the Plan, 1,700,000 (December 31, 2017 – nil) shares have been issued as at December 31, 2018.

The following table summarizes changes in the number of RSUs outstanding:

	Number of RSU's	Weighted average fair value
Balance, December 31, 2017	-	$ -
Granted	1,700,000	$ 0.035
Exercised	(1,700,000)	$ 0.035
Balance, December 31, 2018	-	$ -

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

Balance as at December 31, 2016	$	519,513
Share-based expense		38,000
Expiry of stock options		(38,000)
Balance as at December 31, 2017	$	519,513
Share-based expense - options		19,000
Share-based expense - RSU's		59,500
Exercise of RSU's		(59,500)
Expiry of stock options		(239,618)
Balance as at December 31, 2018	$	298,895

14. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at December 31, 2018 and December 31, 2017 were as follows:

	Assets at fair value through profit or loss	Amortized cost	Other financial liabilities	Total
As at December 31, 2018				
Cash and cash equivalents	$ -	$ 946,611	$ -	$ 946,611
Current portion of long term receivable	-	1,300,000	-	1,300,000
Marketable securities	2,526,633	-	-	2,526,633
Amounts receivable	-	24,217	-	24,217
Accounts payable and accrued liabilities	-	-	631,626	631,626

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at December 31, 2017				
Cash and cash equivalents	$ 6,500,080	$ -	$ -	$ 6,500,080
Current portion of long term receivable	-	1,500,000	-	1,500,000
Long term receivable	-	4,097,410	-	4,097,410
Amounts receivable	-	686,579	-	686,579
Accounts payable and accrued liabilities	-	-	1,440,117	1,440,117

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (continued)

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

As at December 31, 2018 and December 31, 2017, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

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

15. 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 years ended December 31, 2018 and 2017 were as follows:

For the years ended December 31,	Note	2018	2017
Bruce Rowlands (former Chairman and CEO)	(i)	$ 250,000	$ 200,000
Andres Tinajero (CFO)	(ii)	120,500	100,000
Doron Reinis (former COO, former President Discontinued Subsidiaries	(iii)	726,850	419,850
Charlotte May (Corporate Secretary)	(iv)	116,500	96,000
Gilles Leraille (former Director)	(v)	-	38,000
Dennis Logan (Director)	(vi)	63,000	18,000
Paul Wood (CEO and Director)	(vii)	213,250	18,000
Kenneth Wawrew (Director)	(viii)	58,000	18,000
		$ 1,548,100	$ 907,850

Notes:

(i) For the year ended December 31, 2018, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid $50,000 (2017 - $200,000) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd. In addition, $200,000 (2017 – $nil) was paid for severance in the three month period ended March 31, 2018.

(ii) For the year ended December 31, 2018, Andres Tinajero, through his Company, 2222263 Ontario Inc., was paid $100,000 (2017 - $100,000) in professional service fees for CFO services pursuant to an agreement entered into by the Company and 2222263 Ontario Inc. In addition 100,000 stock options and 500,000 RSU's (2017 - nil and nil) were issued with a value of $3,000 and $17,500 respectively (2017 - $nil and $nil respectively).

15. RELATED PARTY DISCLOSURES (continued)

(iii) For the year ended December 31, 2018, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid $316,350 (2017 - $419,850) in professional service fees for services as former COO of Eurocontrol and as former President of Xenemetrix, XwinSys and Croptimal pursuant to an agreement assumed by the Company when it acquired Xenemetrix in 2010. These fees were included under discontinued operations, see note 19. In addition, $410,500 (2017 – $nil) was accrued for severance in the year ended December 31, 2018 pursuant to the sale of the subsidiaries in Israel (Notes 19 and 11).

(iv) For the year ended December 31, 2018, Charlotte May, through her Company CMA Corporate Management, was paid $96,000 (2017 - $96,000) in professional service fees for corporate secretarial services pursuant to an agreement entered into by the Company and CMA Corporate Management. In addition, 100,000 stock options and 500,000 RSU's (2017 - nil and nil) were issued with a value of $3,000 and $17,500 respectively (2017 - $nil and $nil respectively).

(v) For the year ended December 31, 2018, Gilles Leraille, a former director, was issued nil and nil (2017 - nil and 300,000 respectively) stock options respectively with a value of $nil and $nil respectively (2017 - $nil and $38,000 respectively). These options later expired unexercised on September 23, 2017 in accordance with the terms of the Company's stock option plan.

(vi) For the year ended December 31, 2018, Dennis Logan, through his Company 9703373 Canada Inc., was paid $59,000 (2017 - $18,000) in director and special committee fees. In addition 150,000 stock options (2017 - nil) were issued with a value of $4,000 (2017 - $nil).

(vii) For the year ended December 31, 2018, Paul Wood, through his Company Kappa Advisors Ltd., was paid $183,750 (2017 - $18,000) for CEO services and director fees and special committee fees. In addition 200,000 stock options and 700,000 RSU's (2017 - nil and nil) were issued with a value of $5,000 and $24,500 respectively (2017 - $nil and $nil respectively).

(viii) For the year ended December 31, 2018, Kenneth Wawrew was paid $54,000 (2017 - $18,000) in director fees and special committee fees. In addition 150,000 stock options (2017 - nil) were issued with a value of $4,000 (2017 - $nil).

As at December 31, 2018, an amount of $434,418 (December 31, 2017 - $9,996) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

16. 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.

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 year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

The Company's ability to continue to generate revenue and achieve positive cash flow in the future is dependent upon its ability to attract a transaction or other strategic alternative, general economic conditions, and regulatory requirements. There is no assurance that the strategic review will result in a transaction or other strategic alternative and the Board of Directors has not set a timetable for the completion of the review process.

(Expressed in Canadian dollars)

17. LONG TERM RECEIVABLE

As part of the sale of GFI in 2016 to SICPA, the Company was 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 had 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 did not recognize any additional amount above the minimum guaranteed portion. The estimated cash flows were discounted using a discount rate of 10%.

During the year ended December 31, 2018, the Company entered into a comprehensive agreement with SICPA, pursuant to which the parties terminated the surviving material agreements entered into between them in connection with the purchase and sale transaction of GFI in which SICPA acquired GFI from the Company in January 2016. Under the terms of the agreement, SICPA has agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. Each of the parties have also agreed to terminate the remaining commitments related to the purchase agreement and exclusive supply agreement, and release each other from all claims and liabilities in connection therewith.

The movement in the amount receivable under the earn out agreement during the years ended December 31, 2018 and 2017 is as follows:

		December 31, 2018		December 31, 2017
Opening balance	**$**	**5,597,410**	$	6,436,180
Interest accretion		**314,370**		661,230
Instalment payments received		**(2,850,000)**		(1,500,000)
Write down on termination of agreement		**(1,761,780)**		-
Total receivable under earn out agreement	**$**	**1,300,000**	$	5,597,410
Less: Current portion		**1,300,000**		1,500,000
Long term portion	**$**	**-**	$	4,097,410

Subsequent to year end, the final payment of $1,300,000 was received.

18. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material 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, and the receivable under the SICPA Termination Agreement (note 17). Management believes that the credit risk concentration with respect to these financial instruments is minimal.

Provisions for outstanding trade receivable balances are set based on forward looking information; when there is a change in the circumstances of a customer that would result in financial difficulties and create doubt over the receipt of funds.

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 December 31, 2018, the Company had a cash and cash equivalents balance of $946,611 (December 31, 2017 - $6,500,080) as well as marketable securities of $2,526,633 (December 31, 2017 - $nil) to settle current liabilities of $631,626 (December 31, 2017 - $1,440,117). Working capital for the Company as at December 31, 2018 was $4,165,835 (December 31, 2017 - $8,307,402).

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. The strategic review may result in a transaction that may expose the Company to transactions denominated in foreign currencies, and as such the Company may be 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

Based on the foreign currency balances at December 31, 2018, 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 $1,000 (2017 - $126,000). 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.

18. FINANCIAL RISK FACTORS (continued)

The exposure of the Company's financial assets, including marketable securities and liabilities to foreign currency risk as at December 31, 2018 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	$ 928,783	17,828	$ 946,611
Marketable securities	2,526,633	-	2,526,633
Amounts receivable	24,217	-	24,217
Current portion of long term receivable	1,300,000	-	1,300,000
	$ 4,779,633	$ 17,828	$ 4,797,461
Financial liabilities			
Accounts payable and accrued liabilities	$ 157,748	$ 473,878	$ 631,626
	$ 157,748	$ 473,878	$ 631,626

(b) Commodities price risk

The strategic review may result in a transaction that would expose the Company's future operations to commodity price risk due to external economic factors, changes in international investment patterns, and monetary systems and political developments.

(c) Political risk

The strategic review may result in a transaction that may be exposed to political instability.

19. DISCONTINUED OPERATIONS

On September 14, 2018, the Company entered into a share purchase agreement (the "Agreement") with DYG Holdings Ltd. (the "Purchaser"), pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to the Purchaser representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Croptimal Ltd., and Xwinsys Technology Development Ltd. (the "Discontinued Subsidiaries") for nominal consideration and the possibility of receiving post-closing earn-out payments, only if the Purchaser succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis.

On October 31, 2018, the Sale Transaction was approved by shareholders at the Company's special meeting of shareholders and the Sale Transaction was finalized.

The operating results for the years ended December 31, 2018 and 2017 related to the Discontinued Subsidiaries have been presented separately as the loss from discontinued operations in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

As a result of the transaction, the Company recognized a loss on disposal of $432,611 which was determined as follows:

Cash purchase price	$	1
Net assets disposed of:		
Cash	$	256,528
Amounts receivable		538,043
Prepaid expenses		117,003
Trade and other payables		(478,962)
	$	432,612
Loss on disposition	$	(432,611)

The breakdown of the loss for the years ended December 31, 2018 and 2017 from discontinued operations is as follows:

Years ended December 31,		2018		2017
Revenue	$	1,168,726	$	2,701,010
Cost of sales		(761,790)		(1,285,247)
Direct amortization		(37,454)		(177,392)
Gross profit		369,482		1,238,371
Consulting and management		-		(171,776)
Depreciation		(102,788)		(86,678)
Administration		(1,271,649)		(1,217,733)
Sales and administration		(1,022,640)		(1,558,276)
Research and development		(1,964,965)		(3,453,764)
Total expenses		(4,362,042)		(6,488,227)
Loss before the undernoted		(3,992,560)		(5,249,856)
Impairment of assets of discontinued operations (a), (b), (c)		(1,350,617)		-
Foreign exchange		(136,758)		(29,597)
Loss on sale of subsidiaries		(432,611)		-
Loss from discontinued operations	$	(5,912,546)	$	(5,279,453)

The cash flows used by operating activities for the discontinued operations for the year ended December 31, 2018 were $4,922,815 (2017 – cash flows used of $4,973,062).

The cash flows used in investing activities for the discontinued operations for the year ended December 31, 2018 were $62,241 (2017 – cash used of $385,133).

The cash flows used in financing activities for the discontinued operations for the year ended December 31, 2018 were $nil (2017 – cash used of $nil).

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

Details pertaining to various assets listed and liabilities of discontinued operations are contained below:

(a) Intellectual Property

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

Cost		
Balance as at December 31, 2016	$	349,568
Additions		-
Balance as at December 31, 2017		349,568
Additions		-
Balance as at December 31, 2018	$	349,568
Accumulated amortization		
Balance as at December 31, 2016	$	149,814
Amortization expense		49,938
Balance as at December 31, 2017		199,752
Amortization expense		37,454
Write down		112,362
Balance as at December 31, 2018	$	349,568
Carrying amounts		
Balance as at December 31, 2017	$	149,816
Balance as at December 31, 2018	$	-

As at October 31, 2018, the date of sale, the Company determined the value of the intellectual property to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $112,362, for a resulting carrying value of $nil.

(b) Inventories

As at,		December 31, 2018		December 31, 2017
Materials	$	228,686	$	498,624
Work in process		474,489		87,490
Finished goods		-		120,501
	$	703,175	$	706,615
Less: write down		(703,175)		-
	$	-	$	706,615

For the year ended December 31, 2018 and 2017, the cost of inventories recognized as an expense and included in cost of sales under discontinued operations was $761,790 and $1,285,247 respectively.

As at October 31, 2018, the date of sale, the Company determined the value of the inventory to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $703,175, for a resulting carrying value of $nil.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

(c) Equipment

		Office furniture, computers and equipment		Vehicles		Total
Cost						
Balance as at December 31, 2016	$	526,218	$	67,264	$	593,482
Additions		340,820		44,313		385,133
Disposals		-		-		-
Foreign exchange		(45,835)		(5,883)		(51,718)
Balance as at December 31, 2017	$	821,203	$	105,694	$	926,897
Additions		111,695		-		111,695
Disposals		(8,447)		(41,007)		(49,454)
Foreign exchange		36,867		1,149		38,016
Balance as at December 31, 2018	$	961,318	$	65,836	$	1,027,154
Accumulated depreciation and impairment						
Balance as at December 31, 2016	$	283,619	$	33,149	$	316,768
Depreciation		73,595		13,084		86,679
Disposals		-		-		-
Foreign exchange		(21,064)		(2,609)		(23,673)
Balance as at December 31, 2017		336,150	$	43,624	$	379,774
Depreciation		92,713		10,075		102,788
Disposals		(2,718)		(7,473)		(10,191)
Foreign exchange		17,783		1,920		19,703
Impairment		517,390		17,690		535,080
Balance as at December 31, 2018	$	961,318	$	65,836	$	1,027,154
Carrying amounts						
Balance as at December 31, 2017	$	485,053	$	62,070	$	547,123
Balance as at December 31, 2018	$	-	$	-	$	-

As at October 31, 2018, the date of sale, the Company determined the value of the equipment to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $535,080, for a resulting carrying value of $nil.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

Commitments and contingencies of discontinued operations

(a) Royalty-bearing grants from the Government of Israel to XwinSys for funding approved research and development projects were recognized at the time XwinSys was 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 year ended December 31, 2018. 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 December 31, 2018, the balance of the grants received to date to be repaid is approximately $1,004,000 (December 31, 2017 – $973,000). There is no continuing commitment or obligation to Eurocontrol post October 31, 2018

(b) 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 were to commence after the first four quarters where Xenemetrix had cumulative sales totaling more than US$2 million in any calendar year, such amount excluding sales or services to GFI and should a default in payment have occurred, and such default was not remedied within 14 days, then Jordan Valley had the right to take full exclusive ownership of the intellectual property. As the US$2 million sales figure was not met, no royalty payments were payable and as such, no accrual has been made as of December 31, 2018 and December 31, 2017. There is no continuing commitment or obligation to Eurocontrol post October 31, 2018

20. INCOME TAXES

a) Income tax recovery

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (December 31, 2017 – 26.5%) are as follows:

		December 31, 2018		December 31, 2017
Loss from continuing operations before income taxes	$	(2,959,533)	$	(5,518,582)
Expected income tax recovery based on statutory rate	$	(784,276)	$	(1,462,424)
Adjustments to benefit resulting from:				
Share-based compensation		20,803		10,070
Other		150,473		2,354
Tax losses not recognized		613,000		1,355,000
Utilization of previously unrecognized loss carryforwards		-		-
Income tax recovery	$	-	$	(95,000)

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

b) Deferred tax balance

Deferred tax assets have not been recognized in respect of the following temporary differences:

	December 31, 2018	December 31, 2017
Non-capital losses	$ 6,917,318	$ 4,603,504
Property, plant and equipment	1,602	1,602
	$ 6,918,920	$ 4,605,106

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company will be able to use these benefits.

c) Non-capital loss balance

As at December 31, 2018, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses, and when they expire, is provided below:

	Canada
2030	$ 1,426,000
2031	1,339,000
2032	1,059,000
2033	614,000
2035	595,000
2037	692,000
2038	2,314,000
	$ 8,039,000

Upon closing of the transaction described in note 21 the tax losses listed above may no longer be available.

21. EVENTS AFTER THE REPORTING PERIOD

Eurocontrol Technics Group Inc. and Sable Resources Ltd. entered into an asset purchase agreement dated January 24, 2019, pursuant to which Eurocontrol has agreed to acquire Sable's mineral resource properties located in the province of British Columbia and certain related assets all as further set forth therein. The completion of the transaction is subject to regulatory approval and certain other conditions as described below.

Pursuant to the purchase agreement, Eurocontrol will acquire the B.C. properties by paying to Sable the sum of $500,000 at the time of closing; issuing to Sable 30 million Eurocontrol shares, issued on a postconsolidation basis at the time of closing; and granting to Sable, on the closing date, a 1.0-per-cent net smelter return royalty on each of the B.C. properties and assuming certain liabilities relating to the B.C. properties.

The purchase agreement contains customary representations, warranties, covenants, conditions precedent, and other terms and conditions. Following the completion of the transaction and subject to receiving shareholder approval, Sable intends to distribute up to 80 per cent of the Eurocontrol shares that it receives in connection with the transaction to its shareholders. There can be no assurance that the transaction will be completed as proposed, or at all.

As of the date hereof, Eurocontrol has 92,450,238 common shares issued and outstanding. Prior to the closing of the transaction, Eurocontrol plans to consolidate the outstanding Eurocontrol shares on the basis of one postconsolidation Eurocontrol share for each four Eurocontrol shares as constituted immediately before the consolidation and change its name to Talisker Resources Ltd.

Eurocontrol plans to apply to the Canadian Securities Exchange to have the Eurocontrol shares listed and posted for trading on the CSE and apply to the TSX Venture Exchange to have the Eurocontrol shares delisted from the TSX-V upon completion of the transaction. The completion of the transaction is subject to the approval of shareholders of Eurocontrol of certain matters related to the transaction as detailed below, and is expected to close no later than April 30, 2019. Matters to be approved by Eurocontrol shareholders will be described in further detail in a management information circular of Eurocontrol relating to a special meeting of Eurocontrol shareholders expected to be held on March 29, 2019.