

Management's Discussion and Analysis

For the nine month period ended September 30, 2013

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis (MD&A) is current to November 28, 2013 and is management's assessment of the operations and the financial results together with future prospects of Eurocontrol Technics Group Inc. ("Eurocontrol" or the "Company"). This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2013 and 2012 and notes thereto and the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011 and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise. Additional information relevant to Eurocontrol's activities, including Eurocontrol's press releases can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, which are based on certain assumptions and analyses made by the Company derived from its experience and perceptions. For further information on the nature of forward-looking statements, and the related risks, uncertainties and assumptions, refer to the Company's MD&A for the year ended December 31, 2012. The forward-looking statements in this MD&A are subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations. The critical risks, uncertainties, and assumptions include, without limitation: the impact of economic conditions including volatility in the price of oil, gas, and gas liquids, interest rates and foreign exchange rates; industry conditions including supply and demand fundamentals for oil and gas, and the related infrastructure and services; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; and political unrest. As such, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds or dividends the Company and its shareholders, will derive therefrom. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW AND STRATEGY

Eurocontrol is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "EUO". The Company participates in the energy security and authentication, verification and certification markets globally. Eurocontrol has three wholly owned subsidiaries: Global Fluids International S.A. ("GFI"), Xenemetrix Ltd. ("Xenemetrix") and XwinSys Technology Development Ltd. ("XwinSys"). GFI and Xenemetrix are global pioneers in developing and implementing innovative molecular marking systems for the oil industry. Through its proprietary Petromark™ integral system and coupled with Xenemetrix's Energy-Dispersive X-ray Fluorescence ("EDXRF") technology, GFI has developed a four-part solution consisting of a molecular marker, injection, monitoring and control components to combat fuel adulteration and theft and increase fuel tax revenues. Oil industry cost realities along with GFI's 10-year research and development ("R&D") efforts is facilitating the pursuit of numerous oil marking opportunities worldwide. XwinSys is currently developing technology and intellectual property that will combine 2D and 3D image processing technology, from Brosch Inspection Systems Ltd. of Israel also combined with Xenemetrix's EDXRF.

LEADERSHIP TEAM

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

James Fairbairn – Director ^{(1*)(2)}

Gadi Gonen – Director and Chief Operating Officer

Charlotte May – Corporate Secretary

General (Retired) Sir Michael Rose - Director

Andres Tinajero – Chief Financial Officer

Kenneth Wawrew – Director ^{(1)(2*)}

Paul Wood – Director ⁽¹⁾⁽²⁾

Dr. Eli Zahavi - Director

Notes:

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

* Denotes Committee Chair

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

RECENT DEVELOPMENTS AND OUTLOOK

The Company increased its year to date revenue to \$4,693,203 (\$3,383,000 as at September 30, 2012). Below is a description of the recent developments and outlook for each of the Company's subsidiaries.

Global Fluids International S.A.

GFI accounts for \$3,479,171 (\$2,477,591 as at September 30, 2012) of the revenue generated for the nine month period ended September 30, 2013, representing 74% of overall revenue. GFI is projecting 2013 revenue of US\$4,500,000, a 29% increase over results for the same period in 2012.

Over the past year, GFI has expanded its Petromark™ technology into Albania and has renewed its contract with Uganda. Albania has taken the lead in the Balkan area against corruption in the fuel market and the implementation of a national fuel marking and tracing contract will improve fuel quality and the environment and is estimated to increase fuel taxes between €150 to €200 million per year. The Albanian contract was signed in June and commenced in September 2013. In October 2012, GFI signed a five year contract extension with the Ministry of Energy and Mineral Development, Government of the Republic of Uganda for the continued deployment of Petromark™ technology and services were expanded to include all local logistics in country. GFI is pursuing a number of additional opportunities some of which are currently in the tender process and others that are undergoing pilot projects. GFI continues to expand its global network and presence and to source marketing and distribution partnerships with new and well established distributors in all parts of the world. GFI has numerous opportunities developing in Africa, Europe and Asia where it anticipates being the technology provider to new hydrocarbon marking programs in these regions.

GFI holds five process patents in the countries of China, India and Russia, Israel and the US. Additional process patent applications have been submitted in other countries and GFI continues to invest in R&D to expand the marking scope of its Petromark™ technology. GFI is the only company involved in fuel marking technology that is ISO accredited.

Xenemetrix

Xenemetrix accounts for \$1,214,033 (\$905,409 as at September 30, 2012) of the revenue generated for the nine month period ended September 30, 2013, representing 26% of overall revenue. Xenemetrix revenue from sales of EDXRF systems increased by 34% during the nine month period. Xenemetrix is projecting 2013 revenue of US\$1,500,000.

In addition to Petromark™ sales, notable sales during 2013 include the winning of a tender for The National Academy of Sciences of Belarus making Xenemetrix a significant supplier to government organizations in Belarus having now sold US\$310,000 in equipment which opens the ability for the Belarus government to certify Xenemetrix products which could open the market for additional sales. Subsequent to quarter end, Xenemetrix won the tender valued at US\$167,000 for the supply of analytical spectrometer equipment to India's National Thermal Power Corporation to be utilized in their R&D centre for environmental safety and other research related applications.

In the past year Xenemetrix has expanded the use of EDXRF to both the marine and extractive industries with the development of Petro-Marine XRF™ in February and a Geological Mapping Solution ("GMS") in May. Petro-Marine XRF™ is an onboard monitoring solution that facilitates regular and timely compliance of marine vessels with new and existing international regulations, and enhances the preventive maintenance process – leading to significant operational cost savings. The target market for the Petro-Marine XRF™ system is merchant ships of which there are approximately 55,000 currently in service worldwide providing the Company with an available market approximating US\$1.6 billion. In August, a pilot project commenced with one of the largest container shipping companies in the world (over 100 marine vessels) which could lead to significant sales as a successful pilot project would possibly involve the installation of the Petro-Marine XRF™ monitoring system at seven shipping hubs worldwide.

GMS is a mobile EDXRF system that provides an onsite laboratory level solution to rapidly analyze almost all sample types and shapes (solids, liquids, powders and thin films) and the GMS technology utilizing EDXRF enables location based geological data to be transferred immediately to the user's server for reporting and monitoring significantly improving the user's ability to analyze data in real time from exploration locations. The target markets for GMS include geological survey companies, geological and mineral exploration companies amongst others.

Xenemetrix remains focused on the development of new applications for its EDXRF and establishing new marketing and distribution agreements in various regions.

XwinSys

XwinSys is a research and development stage company that does not currently generate revenue. XwinSys has been focused on the development of synergistic combinations of EDXRF technology and automated 2D and 3D image processing technologies for the Semiconductor and related microelectronics industries. XwinSys is currently at a stage of performing advanced demo applications for its prospective Semiconductor customers including several of the largest global companies. Demonstrations are performed on the XwinSys 100 beta system which was the major milestone accomplishment of the last year's development efforts. In November 2012, XwinSys announced that it received a grant of US\$220,000 from The Office of the Chief Science of Israel for its "Wafer bumps inspection and measurement system" and based on the milestones achieved during the year, XwinSys was granted a second year grant of US\$250,000. These grants have represented 50% of the R&D budget. XwinSys is working towards commercialization of its Wafer bumps inspection and measurement system. There exists a significant demand for this technology in the Semiconductor and related microelectronics industries.

SUMMARIZED FINANCIAL RESULTS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue	1,530,889	1,142,059	4,693,203	3,383,000
Cost of sales	397,700	127,155	1,137,080	977,711
Gross profit	1,133,189	1,014,904	3,556,123	2,405,289
Expenses	1,317,563	1,215,099	4,141,214	3,508,481
Other expense (income)	(95,700)	103,570	(2,058)	131,941
Interest expense	(5,145)	(10,732)	(13,923)	(16,901)
Net income (loss)	(285,219)	(107,357)	(601,072)	(988,152)
Basic and fully diluted loss per share	-	-	(0.01)	(0.01)

The Company recorded a net loss of \$285,219 and \$610,072 for the three and nine month periods ended September 30, 2013 respectively, compared to a net loss of \$107,357 and \$988,152 for the comparable 2012 period. Revenues for the three and nine month periods ended September 30, 2013 amounted to \$1,530,889 and \$4,693,203 respectively, compared to \$1,142,059 and \$3,383,000 for the three and nine month periods ended September 30, 2012. These figures represent an increase of 34% from the prior three months in 2012 and an increase of 39% for the nine months ending September 2012. Revenues of the Company showed significant increases for the three and nine month periods of 2013 compared to the similar periods in 2012.

Expenses of \$1,317,563 for the third quarter of 2013 increased in comparison with the expenses of \$1,215,099 for the third quarter of 2012. Expenses for the nine months ended September 30, 2013 of \$4,141,214 increased in comparison with expenses of \$3,508,481 for the nine months ended September 30, 2012. The increase for the nine month period is primarily due to share-based compensation expense in the amount of \$151,000 recognized on the granting of 5,112,500 stock options during the first quarter of 2013 (no stock options were granted during the nine month period in 2012) and increases in sales and marketing related expenses and R&D which all increased due to an overall increase in activity in the Company and higher sales which increased to \$4,693,203 from \$3,383,000 for the nine months ended September 30, 2013 compared to 2012. The increase for the three month period is also primarily due to increases in sales and marketing related expenses and research and development which all increased due to an overall increase in activity in the Company and higher sales which increased to \$1,530,889 from \$1,142,059 for the three months ended September 30, 2013 compared to 2012.

The Company also incurred a foreign exchange translation loss of \$69,591 and a gain of \$70,894 for the three and nine month periods ended September 30, 2013 respectively, compared to a gain of \$127,258 and \$205,506 respectively for the three and nine month periods ended September 30, 2012. The Company has shareholder loans denominated in US dollars and Euros. The Company's revenue is earned in US dollars. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

Interest expense amounted to \$25,191 and \$72,384 for the three and nine month periods ended September 30, 2013, compared to \$23,694 and \$73,624 for the three and nine month periods ended

September 30, 2012, mainly related to GFI's shareholder loans, payable to the former shareholders of GFI. As the balance of these loans decreases, the amount of interest expense is expected to decrease.

SELECTED ANNUAL INFORMATION

The information below should be read in conjunction with the management's discussion and analysis, the consolidated financial statements and related notes and other financial information. The following is for the periods ended:

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	\$	\$	\$
Total revenue	4,693,203	5,008,040	5,399,601
Loss	610,072	1,367,732	2,409,670
Loss per share	0.01	0.02	0.03
Total assets	7,328,927	8,247,321	8,948,077

SUMMARY OF QUARTERLY RESULTS

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

	Q3 2013 \$	Q2 2013 \$	Q1 2013 \$	Q4 2012 \$
Revenue	1,530,889	1,816,035	1,346,279	1,625,040
Cost of sales	(397,700)	(427,182)	(312,198)	(113,161)
Gross profit	1,133,189	1,388,853	1,034,081	1,511,879
Expenses	1,317,563	1,349,610	1,474,041	1,477,749
Other expense (income)	918	1,298	(1,648)	(8)
Provision for HST recoverable	-	-	-	300,000
Interest expense	25,191	23,915	23,278	23,168
Foreign exchange loss (gain)	69,591	(102,152)	(38,333)	82,814
Income taxes expense (recovery)	5,145	8,339	439	7,736
	1,418,408	1,281,010	1,457,777	1,891,459
Net income (loss)	(285,219)	107,843	(423,696)	(379,580)
Basic and fully diluted loss per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.01)
Total assets	7,328,927	9,184,103	7,910,139	8,247,321
	Q3 2012 \$	Q2 2012 \$	Q1 2012 \$	Q4 2011 \$
Revenue	1,142,059	1,146,960	1,093,981	1,925,767
Cost of sales	(127,155)	(487,857)	(382,699)	(512,637)
Gross profit	1,014,904	679,103	711,282	1,413,130
Expenses	1,215,099	1,169,193	1,124,189	1,376,876
Other expense (income)	(6)	(14)	(39)	(342)
Provision for HST recoverable	-	-	-	-
Interest expense	23,694	24,492	25,438	13,564
Foreign exchange loss (gain)	(127,258)	(103,476)	25,228	(47,802)
Income taxes expense (recovery)	10,732	4,153	2,016	3,434
	1,122,261	1,094,348	1,176,832	1,345,730

Net income (loss)	(107,357)	(415,245)	(465,550)	67,400
Basic and fully diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.00
Total assets	8,050,359	8,263,751	8,279,038	8,948,077

Disclosure of Outstanding Share Data as of November 28, 2013

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	89,160,738 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 6,862,500 common shares b) 15,154,665 Warrants exercisable to acquire common shares of the Company

See note 14 to the unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2013 and 2012 for more detailed disclosure of outstanding shares data.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments and Other Instruments

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

Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Assessment of Recoverability of Deferred Income Tax Assets

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the deferred income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

Estimate of Stock Based Compensation and Associated Assumptions

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This valuation required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 17 of the September 30, 2013 unaudited interim condensed consolidated financial statements for a full disclosure.

Assessment of Recoverability of Receivables

The carrying amount of amounts receivable, are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

CARRYING VALUE OF BALANCE SHEET ITEMS

Deferred development costs of \$368,059 as at September 30, 2013 (December 31, 2012 - \$521,578) represent fuel marker and analyzing equipment technology development costs that have been deferred and are being amortized over 10 years (life of the technology rights) and three years (life of the equipment), respectively. As of September 30, 2013, the equipment has been fully amortized.

Technology rights that were purchased as part of the prior 100% acquisitions of GFI and Xenometrix have attributed values of \$7,844,267 and \$892,184, respectively. License of markers and detectors from GFI are amortized over 10 years on a straight line basis. As at September 30, 2013, the carrying value of the technology rights is \$2,885,753 (December 31, 2012 - \$3,578,868).

Intellectual property that was purchased as part of the 100% acquisition of XwinSys has an attributed value of \$349,568 which together with additions of \$11,041 for the nine month period ended September 30, 2013 results in a total amount of \$360,609. As at September 30, 2013, the carrying value of the intellectual property is \$360,609 (December 31, 2012 - \$349,568).

Total accounts payable, accrued liabilities, and shareholder loans amounted to \$2,582,101 as at September 30, 2013 (December 31, 2012 - \$3,041,202). The shareholder loans amounted to \$1,450,045 (December 31, 2012 - \$1,552,189) and are due to the former shareholders of GFI who advanced funds to GFI prior to its acquisition by the Company. The shareholder loans consist of two amounts:

- Principal of €500,000 (\$696,200) (December 31, 2012 - €500,000 (\$655,900)) and accrued interest of €364,851 (\$508,083) (December 31, 2012 - €320,059 (\$419,853)) loaned by the former shareholders of GFI in order to post the bid bond in a tender, managed by EMRA (Energy Market Regulatory Authority, a statutory regulatory entity of the Turkish Government). This portion of the shareholder loans is reimbursed by first priority from the earlier of: (i) the results of the legal proceedings with EMRA; and/or (ii) the first income generated by GFI. This portion of the loans payable bears an annual interest rate of 7.2%.
- Principal of US\$850,000 (\$875,755) (December 31, 2012 - US\$850,000 (\$845,665)) and accrued interest of US\$374,098 (\$385,433) (December 31, 2012 - US\$364,118 (\$362,261)).

As at September 30, 2013, the Company repaid US\$985,563 (\$1,015,426) (December 31, 2012 - US\$735,239 (\$731,490)). This portion of the loans payable bears an annual interest rate of 5.0%.

LIQUIDITY AND CASH FLOWS

The Company ended the third quarter of 2013 with cash of \$2,054,638, compared to \$1,582,030 as at December 31, 2012. The Company had working capital of \$972,331 as at September 30, 2013 compared to working capital of \$567,091 as at December 31, 2012.

Cash provided from operating activities was \$678,731 during the nine month period ended September 30, 2013 compared to cash used of \$19,620 during the nine month period ended September 30, 2012. Changes to cash flows from operating activities primarily relate to higher sales revenues during the period.

Cash used in investing activities was \$29,509 during the nine month period ended September 30, 2013 compared to the use of \$285,835 during the nine month period ended September 30, 2012. Investing activities mainly relate to equipment and intangible asset acquisitions and disposals and loans.

Cash used in financing activities was \$256,182 during the nine month period ended September 30, 2013 compared to cash used in financing activities of \$218,477 during the nine month period ended September 30, 2012. Financing activities mainly relate to the repayment of the shareholder loans and financings through private placements. The decrease is due to repayments of shareholder loans made during the nine month period ended September 30, 2013 of \$256,182 and repayments made during the nine month period ended September 30, 2012 of \$201,053.

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

The Company's ability to raise funds in the future will likely be influenced by whether the Company can achieve profitability in its operating activities. In the financial periods ended September 30, 2013 and for several annual financial periods, the Company has posted net losses. Management of the Company expects that the Company's revenue from operations, together with its existing cash and other current assets, will be inadequate to meet its short-term working capital requirements during the next twelve months. Accordingly, the Company will likely need to raise additional amounts to meet its working capital requirements or consider other strategic investment opportunities which could include the sale of Company assets. Possible sources of funding include private or public financings, strategic relationships or other arrangements to support the Company's operations beyond the next twelve months. However, additional funding may not be available on favourable terms, or at all. Ultimately, there can be no assurance that the Company will be successful in obtaining additional financing and the Company does not expect to generate positive cash flows from operations in the next twelve months. As detailed in note 1 to the September 30, 2013 unaudited interim condensed consolidated financial statements, the Company's failure to either raise capital when needed or to generate revenues could leave it with insufficient resources in the future to sustain the Company's operations over the next 12 months.

TRANSACTIONS WITH RELATED PARTIES

General and administration

For the nine months ended September 30, 2013, the Company was charged \$nil (2012 - \$45,000) by a corporation for which a director of the Company is the Executive Chairman. This company provides administrative and promotional services, which were recorded in consulting and management services.

Shareholder loans

For the nine months ended September 30, 2013, \$72,384 (2012 - \$72,297) in interest was charged on the shareholder loans as described in note 13 of the unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2013.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the three and nine month period ended September 30, 2013 as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Short-term compensation and benefits	\$ 145,250	\$ 105,550	\$ 438,750	\$ 456,009
Share-based payments	-	-	126,000	-
	\$ 145,250	\$ 105,550	\$ 564,750	\$ 456,009

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the 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.
- **Impairment of technology rights, deferred development and intellectual property assets** - While assessing whether any indications of impairment exist for technology rights, deferred development costs and intellectual property asset, 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 recoverable of such assets. Internal sources of information include the manner in which technology rights and deferred development assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's technology rights, deferred development and intellectual property assets, 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.

RISKS AND UNCERTAINTIES

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

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

COMMITMENTS AND CONTINGENCIES

In January 2012, a lawsuit for approximately US\$100,000 was filed against the Company by a supplier for services it alleges were received by the Company but not paid for. In the opinion of management, this lawsuit has no merit and the ultimate disposition of this lawsuit will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows. As a result, this amount has not been reflected in the consolidated financial statements.

The Company is party to certain management contracts. These contracts require that payments of up to approximately \$162,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under these contracts approximate \$253,000 due within one year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivables, loan receivable, accounts payable and accrued liabilities, shareholder loans and loan payable. In the opinion of management of the Company, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values. As at September 30, 2013, there were no significant concentrations of credit risk for loans as the Company currently transacts with highly rated counterparties. The carrying amount reflected above represents the Company's exposure to credit risk for such loans and receivables. In the opinion of management of the Company, as at September 30, 2013, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy.

The carrying value of cash, amounts receivable, loan receivable, accounts payable, accrued liabilities and loans classified as long term approximate fair value because of the limited terms of these instruments. It

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

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

Credit risk

The Company's credit risk is primarily attributable to cash and amounts receivable. Financial instruments included in amounts receivable consist primarily of receivables due from customers. The Company currently transacts with highly rated counterparties for the sale of its marking systems. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its operations however the Company also relies on financing activities. As at September 30, 2013, the Company had a cash balance of \$2,054,638 (December 31, 2012 - \$1,582,030) to settle current liabilities of \$2,582,101 (December 31, 2012 - \$3,041,202). This amount includes \$1,450,045 (December 31, 2012 - \$1,552,189) in shareholder loans (note 13).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company currently has sufficient cash flow to meet its operating obligations however current cash levels would require the Company to seek alternative capital in the event the shareholder loans become due.

Market risk

(a) Interest rate risk

The Company carries shareholder loans with interest and repayment terms as described in note 13 of the unaudited interim condensed consolidated financial statements. Management believes that interest rate risk is remote as the Company currently does not carry interest-bearing debt at floating rates.

(b) Foreign currency risk

The functional and reporting currency of the Company is the Canadian dollar. The Company undertakes transactions denominated in foreign currencies, including US dollars and Euros, and as such is exposed to price risk due to fluctuations in foreign exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign exchange risk.

The exposure of the Company's financial assets and liabilities to foreign currency risk as at September 30, 2013 is as follows:

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	\$ (34,098)	\$ 2,088,736	\$ -	\$ 2,054,638
Amounts receivable	-	\$ 576,363	-	576,363
Loan receivable	-	\$ 332,057	-	312,700
	\$ (34,098)	\$ 2,997,156	\$ -	\$ 2,943,701
Financial liabilities				
Accounts payable and accrued liabilities	\$ 121,888	\$ 1,010,168	\$ -	\$ 1,132,056
Shareholder loans	-	245,762	1,204,283	1,450,045
Loan	-	24,906	-	24,906
	\$ 121,888	\$ 1,280,836	\$ 1,204,283	\$ 2,607,007

A 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net loss by approximately \$56,000 (2012 - \$66,000) based on the foreign currency balances at September 30, 2013.

(c) Price risk

The Company is engaged in the development and implementation of marking systems for various types of oil. As a result, the Company is exposed to price risk with respect to commodity prices, specifically oil. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations would be negatively affected by a significant decrease in the market prices for oil. Oil prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for oil, the level of interest rates, the rate of inflation, investment decisions by large holders of oil, and stability of exchange rates can all cause significant fluctuations in oil prices. Such external economic factors are in turn influenced by changes in international investment patterns, and monetary systems and political developments.

(d) Political risk

The Company operates mainly in Israel and Africa, and such operations are exposed to various levels of political, economic, and other risk and uncertainties. These risks and uncertainties include, but are not limited to: terrorism, hostage taking, fluctuation in currency exchange rates, high rates of inflation, labour unrest, the risks of civil unrest, renegotiation or nullification of existing agreements, licenses, permits and contracts, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls, and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Fair value

The Company has designated cash and amounts receivable classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and shareholder loans are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash, amounts receivable, and accounts payable and accrued liabilities approximates fair value because of the limited term of these instruments.

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting Standards issued but not yet applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of IFRS 9 on its financial statements.

IAS 32, *Financial instruments, Presentation* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

Management's responsibility

Management is responsible for all information contained in this report. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee of the Company's Board of Directors has reviewed the unaudited interim condensed consolidated financial statements with management. The Board of Directors has approved the unaudited interim condensed consolidated financial statements on the recommendation of the Audit Committee.

November 28, 2013

Bruce Rowlands
Chairman, President and Chief Executive Officer