EUROCONTROL TECHNICS GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2015 and 2014

(In Canadian dollars)

(UNAUDITED)

EUROCONTROL TECHNICS GROUP INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

EUROCONTROL TECHNICS GROUP INC.

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

As at,	Notes	June 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		$ 2,468,253	$ 2,268,199
Amounts receivable	7	837,865	675,555
Inventories	8	768,811	725,637
Prepaid expenses		62,434	34,445
Total current assets		4,137,363	3,703,836
Non-current assets			
Equipment	9	282,252	283,888
Deferred development costs	10	281,157	299,900
Technology rights	11	2,106,052	2,288,941
Intellectual property	5	274,661	299,630
Total non-current assets		2,944,122	3,172,359
TOTAL ASSETS		$ 7,081,485	$ 6,876,195
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12, 18	$ 981,898	$ 913,242
Loans payable	13	923,477	1,150,165
Total current liabilities		1,905,375	2,063,407
Non-current liabilities			
Amounts payable		1,525	8,514
Total liabilities		1,906,900	2,071,921
Shareholders' equity			
Issued capital	14	14,690,341	14,690,341
Share-based payment reserve	16	381,785	395,856
Accumulated other comprehensive income		62,719	169,868
Deficit		(9,960,260)	(10,451,791)
Total shareholders' equity		5,174,585	4,804,274
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 7,081,485	$ 6,876,195

Nature of operations and going concern (note 1)
Commitments and contingencies (note 21)
Events after the reporting period (note 22)

APPROVED ON BEHALF OF THE BOARD:

Signed "W. BRUCE ROWLANDS", Director

Signed "GADI GONEN", Director

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

EUROCONTROL TECHNICS GROUP INC.

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

		Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue	6	$ 1,717,690	$ 1,470,691	$ 3,648,989	$ 2,890,171
Costs of sales	8	(671,976)	(637,870)	(1,307,640)	(1,264,362)
Direct amortization	5, 10, 11	(113,301)	(113,301)	(226,602)	(226,602)
Gross profit		932,413	719,520	2,114,747	1,399,207
Expenses					
Consulting and management	18	266,575	231,212	489,686	458,883
Depreciation	9	22,231	20,444	46,724	41,747
Administration		352,737	203,080	565,635	398,633
Sales and marketing expenses		128,038	124,913	250,730	224,513
Research and development	21 (b)	332,949	196,344	562,669	222,027
Public company costs		32,292	50,561	42,254	88,850
Share-based payments	16	31,000	-	38,000	-
Total expenses		1,165,822	826,554	1,995,698	1,434,653
Income (loss) before the undernoted		(233,409)	(107,034)	119,049	(35,446)
Other income and expense					
Finance (loss) income		(78)	(224)	(156)	(501)
Currency translation		151,573	(9,402)	369,014	16,926
Finance expense	18	(16,029)	(24,626)	(33,218)	(50,668)
		135,466	(34,252)	335,640	(34,243)
Loss before income taxes		(97,943)	(141,286)	454,689	(69,689)
Provision for income taxes		(8,864)	417	(15,229)	(12,251)
Net income (loss)		(106,807)	(140,869)	$ 439,460	$ (81,940)
Income (loss) per share					
Basic		$ (0.00)	$ (0.00)	$ 0.00	$ (0.00)
Diluted		$ (0.00)	$ (0.00)	$ 0.00	$ (0.00)
Weighted average common shares outstanding					
Basic		89,160,738	89,160,738	89,160,738	89,160,738
Diluted		89,160,738	89,160,738	89,318,738	89,160,738
Income (loss) - items that may subsequently reclassify into income (loss)					
Net income (loss)		(106,807)	(140,869)	$ 439,460	$ (81,940)
Exchange differences on translation of foreign subsidiary		(210,649)	(50,463)	(107,149)	45,120
Comprehensive income (loss)		(317,456)	(191,332)	$ 332,311	$ (36,820)

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

EUROCONTROL TECHNICS GROUP INC.

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

	Number of Shares	Issued Capital (Note 14)	Share-based Payment Reserve (Note 16)	Deficit	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2013	90,160,738	$ 14,690,341	$ 395,856	$ (10,205,426)	$ -	$ 4,880,771
Exchange on translation of foreign subsidiaries	-	-	-	-	45,120	45,120
Loss for the period	-	-	-	(81,940)	-	(81,940)
Balance as at June 30, 2014	90,160,738	$ 14,690,341	$ 395,856	$ (10,287,366)	$ 45,120	$ 4,843,951
Exchange on translation of foreign subsidiaries	-	-	-	-	124,748	124,748
Loss for the period	-	-	-	(164,425)	-	(164,425)
Balance as at December 31, 2014	90,160,738	14,690,341	395,856	$ (10,451,791)	$ 169,868	$ 4,804,274
Share-based expense	-	-	38,000	-	-	38,000
Cancellation of stock options	-	-	(52,071)	52,071	-	-
Exchange on translation of foreign subsidiaries	-	-	-	-	(107,149)	(107,149)
Income for the period	-	-	-	439,460	-	439,460
Balance as at June 30, 2015	90,160,738	$ 14,690,341	$ 381,785	$ (9,960,260)	$ 62,719	$ 5,174,585

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

EUROCONTROL TECHNICS GROUP INC.

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

For the six month periods ended June 30,	Notes	2015	2014
Cash provided by (used in):			
Operating activities			
Income (loss) for the period		$ 439,460	$ (81,940)
Items not involving cash:			
Amortization of intellectual property	5	24,969	24,969
Depreciation of equipment	9	46,724	41,747
Amortization of deferred development costs	10	18,744	18,744
Amortization of technology right	11	182,889	182,889
Share-based expense		38,000	-
Loss on disposal of vehicle		5,643	-
Foreign exchange gain		(290,427)	8,510
Foreign exchange loss (gain) on loans payable		(13,106)	(2,302)
Accrued interest on shareholder loans		33,218	50,668
Working capital changes			
Change in amounts receivable		(162,310)	12,224
Change in inventories		(43,174)	(56,631)
Change in prepaid expenses		(27,989)	(13,022)
Change in accounts payables and accrued liabilities		68,656	12,455
Cash flows from operating activities		321,296	198,311
Investing activities			
Equipment expenditures		(46,506)	(27,082)
Proceeds from sale of vehicle		7,098	-
Repayment of amounts payable		(6,989)	(7,736)
Collection of loans payable		-	119,443
Cash flows from (used in) investing activities		(46,397)	84,625
Financing activities			
Repayment of loans payable		(246,800)	(164,445)
Cash flows used in financing activities		(246,800)	(164,445)
Effect of exchange rate changes on cash		171,955	13,082
Net increase in cash for the period		200,054	131,573
Cash, beginning of the period		2,268,199	2,185,662
Cash, end of the period		$ 2,468,253	$ 2,317,235

Supplementary cash flow information		
Interest paid	$ 33,218	$ 50,668

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Eurocontrol Technics Group Inc. (the "Company") is a publicly listed company incorporated in British Colombia and continued in the Province of Ontario. The Company participates in the energy security and authentication, verification and certification markets globally.

The Company's shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "EUO". The head office principal and registered address and records office of the Company is located at 401 Bay Street, Suite 2828, Toronto, Ontario, M5H 2Y4.

Due to a history of annual operating losses, the Company's continuance as a going concern is dependent upon its ability to maintain profitable levels of operation. It is not possible to predict if the Company will maintain profitable levels of operations. Management of the Company expects that the Company's revenue from operations, together with its existing cash and other current assets, will be adequate to meet its working capital requirements during the next 12 months.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 27, 2015.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2014 annual financial statements.

Pending Accounting Standards

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

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of the amendments on the Company's financial statements.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION, (continued)

Pending Accounting Standards (continued)

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

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

3. PRINCIPLES OF CONSOLIDATION

These condensed consolidated interim financial statements for the six month periods ended June 30, 2015 and 2014 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries are as follows:

Name	Country of incorporation	Economic interest	Basis of Accounting
Global Fluids International S.A. ("GFI")	Nevis	100%	Full consolidation
Xenemetrix Ltd. ("Xenemetrix")	Israel	100%	Full consolidation
XwinSys Ltd. ("XwinSys")	Israel	100%	Full consolidation

Subsidiaries

Subsidiaries are entities over which the Company has control, whereby control is defined as the power to govern financial and operating policies of an entity 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 (loss) and comprehensive income (loss);
- 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 operations.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed consolidated interim 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 condensed consolidated interim financial statements and related notes to the condensed consolidated interim financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

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

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

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

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

- ***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.

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

- ***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 Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

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

- ***Contingencies*** – refer to note 21.

5. INTELLECTUAL PROPERTY

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

Cost		
Balance as at December 31, 2013	$	349,568
Additions		-
Balance as at December 31, 2014		349,568
Additions		-
Balance as at June 30, 2015	$	349,568
Accumulated amortization		
Balance as at December 31, 2013	$	-
Amortization expense		49,938
Balance as at December 31, 2014		49,938
Amortization expense		24,969
Balance as at June 30, 2015	$	74,907
Carrying amounts		
Balance as at December 31, 2014	$	299,630
Balance as at June 30, 2015	$	274,661

(Expressed in Canadian dollars)

6. OPERATING SEGMENTS

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

The Company conducts its business as a single operating segment.

Geographical information

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

	Revenue from external customers			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Africa	$	$	$	$
Tanzania	788,532	726,851	1,583,181	1,198,654
Uganda	502,750	498,560	1,312,803	887,634
North America	49,745	35,236	172,394	78,846
Asia	27,585	35,465	231,533	148,665
Europe	349,078	174,579	349,078	520,757
South America	-	-	-	55,615
	$ 1,717,690	$1,470,691	$ 3,648,989	$ 2,890,171

GFI accounts for $3,055,682 (2014 - $2,117,307) of the revenue generated for the six month period ended June 30, 2015, representing 84% (2014 – 73%) of overall revenue from the sale of its oil markers (three month period ended June 30, 2015, $1,450,980 (2014 - $1,090,800). Xenemetrix accounts for $593,307 (2014 - $772,864) of the revenue generated for the six month period ended June 30, 2015, representing 16% (2014 – 27%) of overall revenue. Xenemetrix revenue is from sales of EDXRF systems (three month period ended June 30, 2015, $266,710 (2014 - $379,891).

Revenue by product is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Fuel markers	$ 1,450,980	$1,090,800	$ 3,055,682	$ 2,117,307
Detectors and other	266,710	379,891	593,307	772,864
	$ 1,717,690	$1,470,691	$ 3,648,989	$ 2,890,171

(Expressed in Canadian dollars)

6. OPERATING SEGMENTS (continued)

The Company's equipment and intangible assets by geographical location are detailed below:

	As at June 30, 2015		
	South America	Asia	Total
Equipment	$ -	$ 282,252	$ 282,252
Deferred development costs	281,157	-	281,157
Technology rights	1,787,416	318,637	2,106,052
Intellectual property	-	274,661	274,661

	As at December 31, 2014		
	South America	Asia	Total
Equipment	$ -	$ 283,888	$ 283,888
Deferred development costs	299,900	-	299,900
Technology rights	1,906,577	382,364	2,288,941
Intellectual property	-	299,630	299,630

7. AMOUNTS RECEIVABLE

As at,	June 30, 2015	December 31, 2014
Trade receivables	$ 705,618	$ 626,798
Value added taxes receivables	109,650	18,773
Other	22,597	29,984
	$ 837,865	$ 675,555

8. INVENTORIES

As at,	June 30, 2015	December 31, 2014
Materials	$ 246,007	$ 196,862
Work in process	104,852	130,070
Finished goods	417,952	398,705
	$ 768,811	$ 725,637

Inventories are carried at the lower of cost and net realizable value. Materials, work in process, and finished goods are recorded at cost. For the three and six month periods ended June 30, 2015, the cost of inventories recognized as an expense and included in cost of sales was $671,976 and $1,307,640 respectively (three and six month periods ended June 30, 2014 - $637,870 and $1,264,362 respectively.

(Expressed in Canadian dollars)

9. EQUIPMENT

	Office furniture, computers and equipment	Vehicles	Total
Cost			
Balance as at December 31, 2013	$ 318,557	$ 64,291	$ 382,848
Additions	121,498	-	121,498
Disposals	(636)	-	(636)
Foreign exchange	30,617	6,292	36,909
Balance as at December 31, 2014	470,036	70,583	540,619
Additions	24,733	21,773	46,506
Disposals	-	(66,831)	(66,831)
Foreign exchange	38,134	5,409	43,543
Balance as at June 30, 2015	$ 532,903	$ 30,934	$ 563,838
Accumulated depreciation			
Balance as at December 31, 2013	$ 124,335	$ 35,225	$ 159,560
Depreciation	68,420	13,134	81,554
Disposals	-	-	-
Foreign exchange	12,169	3,448	15,617
Balance as at December 31, 2014	204,925	51,807	256,732
Depreciation	41,008	5,716	46,724
Disposals	-	(41,544)	(41,544)
Foreign exchange	15,704	3,970	19,674
Balance as at June 30, 2015	$ 261,637	$ 19,949	$ 281,586
Carrying amounts			
Balance as at December 31, 2014	$ 265,111	$ 18,776	$ 283,888
Balance as at June 30, 2015	$ 271,267	$ 10,985	$ 282,252

(Expressed in Canadian dollars)

10. DEFERRED DEVELOPMENT COSTS

The estimate of the useful life of the fuel marker is estimated to be ending in fiscal 2022.

		Marker
Cost		
Balance as at December 31, 2013	$	920,137
Additions		-
Balance as at December 31, 2014		920,137
Additions		-
Balance as at June 30, 2015	$	920,137
Accumulated amortization		
Balance as at December 31, 2013	$	582,749
Amortization expense		37,488
Balance as at December 31, 2014		620,237
Amortization expense		18,744
Balance as at June 30, 2015	$	638,980
Carrying amounts		
Balance as at December 31, 2014	$	299,900
Balance as at June 30, 2015	$	281,157

11. TECHNOLOGY RIGHTS

The Company, through its wholly owned subsidiaries GFI and Xenemetrix, holds a licence to produce and sell fuel markers, detectors and XRF systems. The fuel markers and detectors are licensed under a 20 year licence agreement from the holder of the patents. The XRF systems are licensed until February 2018. Technology rights assets relating to markers and detectors and XRF Systems are being amortized over their estimated useful lives on a straight-line basis estimated to be ending in fiscal 2022.

		Markers and Detectors		XRF Systems		Total
Cost						
Balance as at December 31, 2013	$	7,844,267	$	892,184	$	8,736,451
Additions		-		-		-
Balance as at December 31, 2014		7,844,267		892,184		8,736,451
Additions		-		-		-
Balance as at June 30, 2015	$	7,844,267	$	892,184	$	8,736,451
Accumulated amortization						
Balance as at December 31, 2013	$	5,699,368		382,365		6,081,733
Amortization expense		238,322		127,455		365,777
Balance as at December 31, 2014		5,937,690		509,820		6,447,510
Amortization expense		119,161		63,728		182,889
Balance as at June 30, 2015	$	6,056,851	$	573,548	$	6,630,399
Carrying amounts						
Balance as at December 31, 2014	$	1,906,577	$	382,364	$	2,288,941
Balance as at June 30, 2015	$	1,787,416	$	318,637	$	2,106,052

(Expressed in Canadian dollars)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,		June 30, 2015		December 31, 2014
Accounts payable	$	502,731	$	287,942
Accrued liabilities		479,167		625,300
	$	981,898	$	913,242

13. LOANS PAYABLE

Euro loan				June 30, 2015		December 31, 2014
Principal	€	500,000	$	691,038	$	698,066
Interest	€	465,156		642,881		614,978
				1,333,919		1,313,043
Repayments				(410,442)		(162,878)
Total			$	923,477	$	1,150,165

The total payable includes the principal amount of €500,000 ($691,038) (December 31, 2014 - €500,000 ($698,066)) and accrued interest of €465,156 ($642,881) (December 31, 2014 - €440,487 ($614,978)) loaned by former shareholders of GFI. These loans payable bear an annual interest rate of 7.2%. A director of the Company is among recipients of such loans.

As at June 30, 2015, the Company repaid €296,975 ($410,442), (December 31, 2014 - €116,664 ($162,878)), resulting in an outstanding balance of €668,181 ($923,477) (December 31, 2014 - €823,823 ($1,150,165)).

14. ISSUED CAPITAL

Authorized: Unlimited common shares without par value

	June 30, 2015	December 31, 2014
Issued capital	$ 14,690,341	$ 14,690,341
Fully paid common shares (1)	90,160,738	90,160,738

(1) As at June 30, 2015 and December 31, 2014, included in this number are 1,000,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

(Expressed in Canadian dollars)

15. WARRANTS RESERVE

There were no warrants outstanding as of June 30, 2015 and December 31, 2014.

16. SHARE-BASED PAYMENT RESERVE

Stock option plan

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

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

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

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

Balance as at December 31, 2013 and December 31, 2014	$	395,856
Share-based expense		38,000
Cancellation of stock options		(52,071)
Balance as at June 30, 2015	$	381,785

The following share-based payment arrangements were in existence as at June 30, 2015:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date		Exercise price	Fair value at grant date
1,400,000	1,400,000	February 23, 2011	February 23, 2016	$	0.16	201,646
5,062,500	5,062,500	March 11, 2013	March 11, 2018	$	0.10	142,139
200,000	200,000	January 13, 2015	January 13, 2020	$	0.10	7,000
375,000	375,000	June 30, 2015	June 30, 2020	$	0.13	31,000
7,037,500	7,037,500				$	381,785

The share options outstanding as at June 30, 2015 had a weighted exercise price of $0.11 (December 31, 2014: $0.11) and a weighted average remaining contractual life of 2.5 years (December 31, 2014: 2.7 years).

All options vested on their date of issue and expire within five years of their issue, or 30 days after the resignation of the director, officer, employee or consultant.

(Expressed in Canadian dollars)

16. SHARE-BASED PAYMENT RESERVE (continued)

Fair value of share options granted in the six month period ended June 30, 2015

On January 13, 2015, 200,000 share options were granted to consultants of the Company to acquire the Company's shares at an exercise price of $0.10 until January 13, 2020. These share options had an estimated fair value of $7,000 at grant date.

On June 30, 2015, 375,000 share options were granted to a director of the Company to acquire the Company's shares at an exercise price of $0.13 until June 30, 2020. These share options had an estimated fair value of $31,000 at grant date.

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.

	Number of Options Granted	
	200,000	375,000
Grant date share price	$ 0.05	$ 0.11
Exercise price	$ 0.10	$ 0.13
Expected volatility	102%	105%
Expected option life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.15%	0.81%

Movements in shares options during the period/year:

The following reconciles the share options outstanding during the six month period ended June 30, 2015 and year ended December 31, 2014:

	Number of options	Weighted average exercise price
Balance as at December 31, 2013 and 2014	6,812,500	$ 0.11
Granted	575,000	$ 0.12
Expired	(350,000)	$ 0.15
Balance as at June 30, 2015	7,037,500	$ 0.11

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at June 30, 2015 and December 31, 2014 were as follows:

	Loans and receivables	Other financial liabilities	Total
As at June 30, 2015			
Cash	$ 2,468,253	-	$ 2,468,253
Trade receivables	705,618	-	705,618
Accounts payable and accrued liabilities	-	981,898	981,898
Loans payable	-	923,477	923,477
Amounts payable	-	1,525	1,525

	Loans and receivables	Other financial liabilities	Total
As at December 31, 2014			
Cash	$ 2,268,199	-	$ 2,268,199
Amounts receivable	626,798	-	626,798
Accounts payable and accrued liabilities	-	913,242	913,242
Loans payable	-	1,150,165	1,150,165
Amounts payable	-	8,514	8,514

As at June 30, 2015, there are no significant concentrations of credit risk for loans and amounts receivable as the Company currently transacts with highly rated counterparties. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. As at June 30, 2015 and December 31, 2014, 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 and accrued liabilities and loan classified as long term approximate fair value because of the limited terms of these instruments. It is not possible to determine if the loans payable are at fair value as there is no comparable market value for such loans.

18. RELATED PARTY DISCLOSURES

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

- For the six month period ended June 30, 2015 $33,218 (2014 - $50,668) in interest was charged on the loans payable as described in note 13.

Mr. Eli Zahavi provided a loan to GFI prior to GFI's acquisition by the Company. As at June 30, 2015, the balance of that loan is $139,747 (December 31, 2014 - $174,182) which is included in loans payable as described in note 13.

Compensation of key management personnel of the Company

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.

(Expressed in Canadian dollars)

18. RELATED PARTY DISCLOSURES (continued)

The remuneration of directors and other members of key management personnel during the three and six month periods ended June 30, 2015 and 2014 were as follows:

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Bruce Rowlands (Chairman, CEO)	(i)	$ 50,000	$ 50,000	$ 100,000	$ 100,000
Gadi Gonen (Director and COO; CEO of GFI)	(ii)	94,543	76,946	201,257	160,553
Andres Tinajero (CFO)	(iii)	25,000	25,000	50,000	50,000
Doron Reinis (President of Xenemetrix and XwinSys)	(iv)	89,766	90,872	175,785	178,761
Eli Zahavi (Director)	(v)	23,137	21,508	46,275	43,016
Charlotte May (Corporate Secretary)	(vi)	14,000	9,000	23,000	18,000
Michael Rose (Director)	(vii)	3,702	3,442	7,404	6,883
Dennis Logan (Director)	(viii)	31,000	-	31,000	-
		$ 331,148	$ 276,768	$ 634,721	$ 557,213

Notes:

(i) For the three and six month period ended June 30, 2015, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid $50,000 and $100,000 respectively (2014 - $50,000 and $100,000 respectively) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd.

(ii) For the three and six month period ended June 30, 2015, Gadi Gonen, was paid $94,543 and $201,247 respectively (2014 - $76,946 and $160,553 respectively) for services as COO of the Company and for services as CEO of GFI, pursuant to an agreement entered into by the Company and Gadi Gonen. Commissions of $67,985 is included in the six month period ended June 30, 2015 (2014 - $42,153).

(iii) For the three and six month period ended June 30, 2015, Andres Tinajero, through his Company, 2222263 Ontario Inc., was paid $25,000 and $50,000 respectively (2014 - $25,000 and $50,000 respectively) in professional service fees for CFO services pursuant to an agreement entered into by the Company and 2222263 Ontario Inc.

(iv) For the three and six month period ended June 30, 2015, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid $89,766 and $175,785 respectively (2014 - $90,872 and $178,761 respectively) in professional service fees for services as President of Xenemetrix and XwinSys pursuant to an agreement assumed by the Company when it acquired Xenemetrix in 2010.

(v) For the three and six month period ended June 30, 2015, Eli Zahavi, was paid $23,137 and $46,275 respectively (2014 - $21,508 and $43,016 respectively) for consulting services as Chairman of GFI.

(vi) For the three and six month period ended June 30, 2015, Charlotte May, through her Company CMA Corporate Management, was paid $14,000 and $23,000 respectively (2014 - $9,000 and $18,000 respectively) in professional service fees for Corporate Secretarial services pursuant to an agreement entered into by the Company and CMA Corporate Services. A bonus of $5,000 is included in the six month period ended June 30, 2015 (2014 - $nil).

(vii) For the three and six month period ended June 30, 2015, Michael Rose, through his Company Rose Partners, was paid $3,702 and $7,404 respectively (2014 - $3,442 and $6,883 respectively) in Director fees.

(viii) For the three and six month period ended June 30, 2015, Dennis Logan was issued 375,000 stock options with a value of $31,000 (2014 - $nil).

As at June 30, 2015, an amount of $70,377 (December 31, 2014 - $81,467) due to members of key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

19. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management in the six month period ended June 30, 2015. The Company and its subsidiaries are not subject to externally imposed capital requirements.

20. FINANCIAL RISK FACTORS

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

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

Liquidity risk:
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2015, the Company had a cash balance of $2,468,253 (December 31, 2014 - $2,268,199) to settle current liabilities of $1,905,375 (December 31, 2014 - $2,063,407). This amount includes $923,477 (December 31, 2014 - $1,150,165) in loans payable (note 13).

Substantively all of the Company's financial liabilities other than loans payable have contractual maturities of less than 365 days and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company’s holding cash. The terms of the loans payable are described in note 13.

20. FINANCIAL RISK FACTORS (continued)

Market risk:

(a) Interest rate risk
The Company carries loans payable with interest and repayment terms as described in note 13. Management believes that interest rate risk is remote as the Company currently does not carry interest-bearing debt at floating rates.

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

The exposure of the Company's financial assets and liabilities to foreign currency risk as at June 30, 2015 is as follows:

	CDN Dollar	US Dollar	Euro	Total (in CDN dollars)
Financial assets				
Cash	$ 65,069	$ 2,403,184	$ -	$ 2,468,253
Amounts receivable	35,860	802,005	-	837,865
	$ 100,929	$ 3,205,189	$ -	$ 3,306,118
Financial liabilities				
Accounts payable and accrued liabilities	$ 129,256	$ 852,642	$ -	$ 981,898
Loans payable	-	-	923,477	923,477
Amounts payable	-	1,525	-	1,525
	$ 129,256	$ 854,167	$ 923,477	$ 1,906,900

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 $155,000 (2014 - $219,000) based on the foreign currency balances at June 30, 2015.

(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 will be significantly affected by changes in the market prices for oil. Oil prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for oil, the level of interest rates, the rate of inflation, investment decisions by large holders of oil, and stability of exchange rates can all cause significant fluctuations in oil prices. Such external economic factors are in turn influenced by changes in international investment patterns, and monetary systems and political developments.

21. COMMITMENT AND CONTINGENCIES

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

(b) Royalty-bearing grants from the Government of Israel for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and included as a deduction of research and development costs. Research and development grants amounted to approximately $289,000 during the six month period ended June 30, 2015. 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 June 30, 2015, the balance of the grants received to date to be repaid is approximately $969,000 (December 31, 2014 – $617,000).

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

22. EVENTS AFTER THE REPORTING PERIOD

On August 18, 2015, the Company entered into a non-binding letter of intent (the "LOI") with SICPA Security Solutions SA, a private Swiss company that is a global provider of secured identification, traceability and authentication solutions and services, for the sale of Eurocontrol's 100% owned subsidiary, Global Fluids International S.A. ("GFI").

Amongst other terms, the LOI provides for a non-refundable deposit of $250,000 coincident with the signing of the LOI, an initial payment of $16 million to be received on the closing of the sale transaction, and a 5% royalty payment on all future GFI contracts, inclusive of both marker and logistics, for a period of six years with contracts signed during the fourth through sixth years being paid until the third anniversary of such contracts with a minimum guarantee of $1.5 million per year for six years.

It is intended that that parties will negotiate and enter into a definitive purchase and sale agreement within 30 days of the date of the LOI and that Eurocontrol will then call a special meeting of shareholders to approve the transaction. Closing of the transaction is subject to a number of conditions including for Eurocontrol, obtaining shareholder and TSX Venture Exchange approval of the transaction.