eurocontrol
TECHNICS GROUP

Management's Discussion and Analysis

For the nine month period ended September 30, 2018

(in Canadian dollars unless otherwise noted)

Management's discussion and analysis ("MD&A") is current to November 29, 2018 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, 2018 and 2017 and notes thereto and the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016 and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise. Additional information relevant to Eurocontrol's activities, including Eurocontrol's press releases can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, which are based on certain assumptions and analyses made by the Company derived from its experience and perceptions. The forward-looking statements in this MD&A are subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations. The critical risks, uncertainties, and assumptions include, without limitation: the impact of economic conditions including foreign exchange rates; insufficient funds to support capital investments required to grow the business; and the lack of availability of qualified personnel or management. As such, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits or negative impact they will have on the Company and its shareholders. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW, RECENT DEVELOPMENTS, OUTLOOK AND STRATEGY

Eurocontrol is a Canadian listed public company with its shares traded on the TSX Venture Exchange ("TSXV") and the OTCQB Venture Market under the symbols "EUO" and "EUCTF", respectively.

Major Operational Changes

On September 14, 2018, the Company entered into a shae purchase agreement (the "Agreement") with DYG Holdings Ltd. (the "Purchaser"), a company formed and owned by Doron Reinis and Yoav Allon, the Company's former Chief Operating Officer and President and Chief Executive Officer, and Chief Financial Officer, respectively of Xenemetrix Ltd., Croptimal Ltd. and XwinSys Technology Development Ltd. (the "Discontinued Subsidiaries") pursuant to which the Company agreed to sell all of the shares of its Discontinued Subsidiaries to the Purchaser representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel due to: (i) the absence of any available alternative transactions; (ii) the Sale Transaction was a preferable alternative to winding-up the Discontinued Subsidiaries under the processes required by Israeli law; (iii) the Sale Transaction eliminated the risk and uncertainty regarding potential liabilities in connection with the orderly winding-up which was anticipated to take nine to 18 months with associated ongoing monthly operating costs; (iv) the Sale Transaction provided cost savings by avoiding the winding-up process; (v) the potential to receive earn-out payments, if the Purchaser is successful in re-establishing the business of the Discontinued Subsidiaries and operating them at a profit; and (vi) the Sale Transaction unencumbered the Company allowing it to better pursue a potential transformative transaction. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of the Discontinued Subsidiaries for nominal consideration and the possibility of receiving post-closing earn-out payments, only if the Purchaser succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis with the Purchaser assuming all liabilities and ongoing expenses and contractual arrangements of the Discontinued Subsidiaries.

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

In its news release issued on July 31, 2018, the Company first announced its plans to discontinue its Israeli operations after measures taken by management to reduce operating costs and to create a viable model for continued operations of the Discontinued Subsidiaries had not produced results to justify further investment by the Company and divestment efforts had not produced any available alternate transactions. In connection with this decision, the Company terminated all employees and contractors in Israel and entered into a termination and release agreement with Doron Reinis, the Company's former Chief Operating Officer and the former President and Chief Executive Officer of the Company's Discontinued Subsidiaries and provided termination notice to Yoav Allon, the former Chief Financial Officer of the Company's Discontinued Subsidiaries. Severance for the employees, other than those under management contracts, was fully funded through a severance fund contributed to monthly in advance as required under Israeli law and at no additional cost to the Company. The severance for Doron Reinis provided for a reduction in compensation during the wind-up process to facilitate an orderly wind-down and a termination payment equal to one year's severance in accordance with Israeli law and for Yoav Allon, termination in accordance with his contract provided for a notice period of three months and a termination payment equal to nine month's salary in accordance with Israeli law. The severance amounts payable to Doron Reinis and Yoav Allon are included as accrued liabilities of the Company as at September 30, 2018.

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

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

This MD&A includes the impact of the changes on the value of its intellectual property, receivables and inventory as reported.

With the closing of the Sale Transaction on October 31, 2018, the Company's management is focused on evaluating alternatives to maximize the value of its assets, which consist primarily of cash and the amounts receivable pursuant to the SICPA Termination Agreement described above.

Claim

On June 21, 2018, Yellow Brick Capital Advisers (UK) Limited filed a claim against the Company, its subsidiary, Croptimal Ltd., and one of its officers in the Magistrates Court, in Tel Aviv, Israel. The lawsuit alleges that the Company and one of its officers lacked good faith in carrying out and terminating negotiations for a possible sale of the shares of Croptimal Ltd. In its claim, the plaintiff seeks monetary damages of 518,459 New Israeli Shekels (approximately, 185,245 Canadian dollars). The Company's management believes the claim is without merit. A Statement of Defence and a Counter-Claim have been filed in the Magistrates Court, in Tel Aviv, Israel.

For a discussion of certain risks, please refer to the Risks and Uncertainties section of this MD&A.

LEADERSHIP TEAM

Paul Wood – Interim President and Chief Executive Officer, Director (1)(2)(3*)
Dennis Logan – Chairman (1*)(2)(3)
Andres Tinajero – Chief Financial Officer
Charlotte May – Corporate Secretary
Christine Macqueen – Director
Kenneth Wawrew – Director (1)(2*)(3)

Notes:
(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Special Committee
* Denotes Committee Chair

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

SUMMARIZED FINANCIAL RESULTS

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $	Nine Months Ended September 30, 2018 $	Nine Months Ended September 30, 2017 $
Revenue - discontinued operations	143,111	492,194	819,397	1,761,005
Cost of sales - discontinued operations				
Cost of sales - direct production costs	(125,839)	(182,368)	(642,995)	(768,374)
Cost of sales - amortization and other non cash items	(12,485)	(44,348)	(37,454)	(133,045)
	(138,324)	(226,716)	(680,449)	(901,419)
Gross profit - discontinued operations	4,787	265,478	138,948	859,586
Expenses from continuing operations	(906,132)	(214,595)	(1,581,809)	(755,850)
Expenses from discontinued operations	(949,308)	(1,573,397)	(4,083,706)	(4,502,196)
Other (expense) income - continuing operations	(1,680,147)	35,298	(1,418,290)	598,566
Other (expense) income - discontinued operations	(1,472,096)	91,267	(1,472,096)	(41,332)
Income tax recovery	-	-	-	95,000
Net loss - continuing operations	(2,586,279)	(179,297)	(3,000,099)	(62,284)
Net loss - discontinued operations	(2,416,617)	(1,216,652)	(5,416,854)	(3,683,942)
Net loss	(5,002,896)	(1,395,949)	(8,416,953)	(3,746,226)
Basic and diluted loss per share				
- from continuing operations	(0.03)	-	(0.03)	-
- from discontinued operations	(0.03)	(0.01)	(0.06)	(0.04)
- net loss	(0.05)	(0.02)	(0.09)	(0.04)
EBITDA	(5,033,762)	(1,474,501)	(8,619,409)	(4,248,907)
EBIT	(5,079,104)	(1,539,471)	(8,752,183)	(4,439,682)

RESULTS OF OPERATIONS

EBITDA for the nine month period ended September 30, 2018 decreased by $4,370,502 to $(8,619,409) compared to $(4,248,907) for 2017. EBITDA for the nine month period ended September 30, 2018 decreased in comparison to 2017 primarily due to the decrease in sales of discontinued operations as well as the impairment charge of $1,491,204 related to the discontinued operations and the write down of the long term receivable of $1,761,680. EBITDA for subsequent quarters is expected to improve as a result of the sale of the subsidiaries in Israel.

For the nine month period ended September 30, 2018, net loss amounted to $8,416,953, which is higher than the net loss of $3,746,226 in 2017. The higher net loss in 2018 is due to decreases in revenue from discontinued operations as discussed above as well operations as well as the impairment charge of $1,491,204 related to the discontinued operations and the write down of the long term receivable of $1,761,680. For the three month period ended September 30, 2018, the Company recorded a net loss of $5,003,096 compared to a net loss of $1,395,949 for the comparative three month period ended September 30, 2017. The decrease is due to the same primary items affecting the nine month period.

Expenses

Expenses from continuing operations of $1,581,809 for the nine month period ended September 30, 2018, increased in comparison with the expenses of $755,850 for the nine month period ended September 30, 2017. The increase for the period is primarily due to the following variances with remaining expenditures remaining consistent between the two periods:

- Consulting and management expenses increased from $410,023 for the nine month period ended September 30, 2017 to $1,165,250 for the nine month period ended September 30, 2018 due primarily to the severance payment made to the former CEO as well as severance payments as part of the sale transaction of the former subsidiaries in Israel.
- Administration expenses increased to $265,687 for the nine month period ended September 30, 2018 from $145,810 for the same period in 2017 due to an increase in professional fees related to strategic reviews of operations.
- Share-based expenses increased to $78,500 for the nine month period ended September 30, 2018 from $nil for the same period in 2017 due to an increase in stock options and RSU's issued during the period, see note 12 of the condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 and 2017 for additional details.

Expenses of $906,132 for the three month period ended September 30, 2018 increased in comparison with the expenses of $214,595 for the three month period ended September 30, 2017. The increase for the period is primarily due the increases in share-based expense, consulting and administration discussed in the variance related to the nine month period ended September 30, 2018.

Discontinued Operations

Revenue from discontinued operations for the nine month period ended September 30, 2018 decreased to $819,397 (US$636,573) from $1,761,005 (US$1,348,406) for the nine month period ended September 30, 2017, a 53% decrease in Canadian dollar sales which reflect a 53% decrease in US dollar sales with the difference attributable to changes in the foreign exchange rate. For the three month period ended September 30, 2018, revenue decreased from $492,194 (US$397,273) during the three month period ended September 30, 2017 to revenue of $143,111 (US$111,180) during the three month period ended September 30, 2018. The decrease represents a 71% decrease in Canadian dollars which reflects a 72% decrease in US dollar sales along with the effects of foreign exchange rate.

For the nine month period ended September 30, 2018, the Company had a gross profit from discontinued operations of $138,948 (2017 – $859,586). These amounts include non-cash cost of sales items consisting of amortization of technology rights and patents amounting to $12,485 (2017 - $44,348) for the three month period ended September 30, 2018, and $37,454 (2017 - $133,045) for the nine month period ended September 30, 2018. These non-cash cost of sales items are recurring costs based on the original development of the technology that the Company does not have any cost control over. Gross margins excluding these non-cash cost of sales items was 12% in the three month period ended September 30, 2018 (2017 – 63%), and 22% for the nine month period ended September 30, 2018 (2017 – 56%). The variance in gross margin is due to US dollar sales relating to detectors and ancillary equipment having decreased by 53% for the nine month period ended September 30, 2018. The margin on detectors and ancillary equipment varies based on the level of customization. The cost of sales during the comparable periods decreased from $768,374 for the nine month period ended September 30, 2017 to $642,995 for the nine month period ended September 30, 2018 representing a decrease of 16%, in relation to the decrease in revenue.

Expenses from discontinued operations of $4,083,706 for the nine month period ended September 30, 2018 decreased in comparison with the expenses of $4,502,196 for the nine month period ended September 30, 2017. The reduction in expenses of discontinued operations relates primarily to a reduction in research and development costs between the periods - $1,794,142 for the nine month period ended September 30, 2018 (2017 – $2,427,076) as well as sales and administration costs amounting to $1,013,118 for the nine month period ended September 30, 2018 (2017 – $1,059,405). Discontinued operations also included an impairment charge related to the sale of the subsidiaries in Israel which amounted to $1,491,204 (2017 - $nil).

Other Income/Expenses

The Company also incurred a foreign exchange translation gain of $8,260 for the nine month period ended September 30, 2018, compared to a loss of $2,735 for the nine month period ended September 30, 2017.

The Company also recorded interest accretion income of $314,370 (2017 - $527,958) during the nine month period ended September 30, 2018, representing interest accretion on the long term portion of the earn out proceeds receivable from SICPA as per the terms of the sale of GFI. The receivable was settled during the nine month period ended September 30, 2018 as such, interest accretion will no longer be recorded in future quarters.

SELECTED FINANCIAL INFORMATION

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

	Nine Months Ended September 30, 2018	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**
	$	$	$
Revenue – discontinued operations	819,397	2,701,010	1,664,737
Income (Loss)			
- from continuing operations	(3,000,099)	(5,423,582)	(4,950,348)
- from discontinued operations	(5,416,854)	-	16,484,172
- net income (loss)	(8,416,953)	(5,423,582)	11,533,824
Income (Loss) per share			
- from continuing operations	(0.03)	(0.06)	(0.05)
- from discontinued operations	(0.06)	-	0.18
- net income (loss)	(0.09)	(0.06)	0.13
Total assets at end of period/year	6,145,572	14,541,868	19,640,603

SUMMARY OF QUARTERLY RESULTS

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

	Q3 2018 $	Q2 2018 $	Q1 2018 $	Q4 2017 $
Revenue – discontinued operations	143,111	327,969	348,317	940,005
Cost of sales – discontinued operations	(138,324)	(292,544)	(249,581)	(561,220)
Gross profit – discontinued operations	4,787	35,425	98,736	378,785
Expenses	(906,132)	(227,203)	(448,474)	(219,365)
Expenses – discontinued operations	(2,421,604)	(1,605,985)	(1,553,567)	(1,986,032)
Other income (expense)	(1,685,572)	127,263	131,759	146,139
Foreign exchange gain (loss)	5,425	7,988	20,201	3,117
Income tax recovery	-	-	-	-
	(5,007,883)	(1,697,937)	(1,850,081)	(2,056,141)
Net loss	(5,003,096)	(1,662,512)	(1,751,345)	(1,677,356)
Basic income (loss) per share				
- from continuing operations	(0.03)	(0.02)	(0.02)	(0.03)
- from discontinued operations	(0.03)	0.00	0.00	0.00
- net income (loss)	(0.05)	(0.02)	(0.02)	(0.03)
Total assets at end of period	6,145,572	10,919,534	12,642,331	14,541,868

	Q3 2017 $	Q2 2017 $	Q1 2017 $	Q4 2016 $
Revenue – discontinued operations	492,194	708,563	560,248	717,253
Cost of sales – discontinued operations	(226,716)	(257,596)	(417,107)	(434,521)
Gross profit – discontinued operations	265,478	450,967	143,141	282,732
Expenses	(214,595)	(241,475)	(299,780)	(256,404)
Expenses – discontinued operations	(1,573,397)	(1,462,649)	(1,466,150)	(1,230,944)
Other expense (income)	143,522	265,208	192,571	191,721
Foreign exchange loss (gain)	(16,957)	(20,529)	(6,581)	4,660
Income tax recovery	-	37,000	58,000	-
	(1,661,427)	(1,422,445)	(1,521,940)	(1,290,967)
Net income (loss)	(1,395,949)	(971,478)	(1,378,799)	(1,008,235)
Basic and fully diluted income (loss) per share				
- from continuing operations	(0.00)	(0.01)	(0.02)	(0.01)
- from discontinued operations	(0.01)	0.00	0.00	0.00
- net income (loss)	(0.02)	(0.01)	(0.02)	(0.01)
Total assets at end of period	15,729,379	17,188,484	18,304,747	19,640,603

Over the past eight quarters, revenues from discontinued operations have ranged from a low of $143,111 in the third quarter of 2018 to a high of $940,005 in the fourth quarter of 2017. Revenues in the other periods have ranged between the historical normal ranges of $0.3 million to $0.7 million. The revenue trend saw sales increase in 2016 and 2017 reflecting an increase in detectors and ancillary products revenue of Xenemetrix due primarily to the investment the Company made into the ED-XRF platform and marketing which introduced the updated Xenemetrix product line, in particular its mobile systems. Sales have been steadily declining in 2018 which led to the Company's decision to discontinue the operations in Israel. Cost of sales over the quarters varied depending on the level of customization on equipment sales. Margins over sales decreased in 2018 compared to an average margin of 52% during 2017 due to the impact of fixed associated cost over less revenue. Cost of sales ranged from a low of $138,324 in the third quarter of 2018 to a high of $516,873 during the fourth quarter of 2017 which variance is attributed to fluctuations based on the degree of customization on detector and ancillary equipment sales with gross profit varying in correlation as well as the effect of foreign exchange rates. Expenses from continuing operations have fluctuated somewhat quarter over quarter ranging from a low of $214,595 in the third quarter of 2017 to a high of $906,132 in the third quarter of 2018. Expenses from continuing operations usually range from $200,000 to $300,000 with the first quarter of 2018 realizing higher expenses due to severance costs for the former CEO as well as severance costs pursuant to the sale of the former subsidiaries in Israel. Expenses from discontinued operations also fluctuated somewhat quarter over quarter ranging from a low of $1,230,944 in the fourth quarter of 2016 to a high of $2,421,604 in the first quarter of 2018. The trend has seen costs increase from the into 2016 and through to 2017 primarily from increased R&D budgets.

Disclosure of Outstanding Share Data as of November 29, 2018

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	90,750,238 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 4,425,000 common shares b) RSU's to acquire up to 1,700,000 common shares c) Nil Warrants exercisable to acquire common shares of the Company

See note 13, 14 and 15 to the condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 and 2017 for more detailed disclosure of outstanding shares data.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments and Other Instruments

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

Dividends

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

Assessment of Recoverability of Deferred Income Tax Assets

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

Estimate of Stock Based Compensation and Associated Assumptions

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This valuation required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 15 of the condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 and 2017 for more detailed disclosure of outstanding shares data.

Assessment of Recoverability of Receivables

The carrying amount of amounts receivable, receivable under earn out agreement and long term portion of receivable under earn out agreement are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded. The Company considers current receivables to be fully collectible.

LIQUIDITY AND CASH FLOWS

The Company ended the third quarter of fiscal 2018 with cash of $73,618, compared to $6,500,080 as at December 31, 2017. The Company had working capital of $4,983,096 as at September 30, 2018 compared to working capital of $8,307,402 as at December 31, 2017.

Cash used in operating activities was $3,385,504 for the nine month period ended September 30, 2018 compared to cash used of $2,788,519 for the nine month period ended September 30, 2017. Cash flows used in operating activities was lower between the two periods primarily due to the decrease in revenue from discontinued operations.

Cash flows used in investing activities was $3,078,904 for the nine month period ended September 30, 2018, compared to cash provided by of $2,529,270 for the nine month period ended September 30, 2017. Investing activities mainly related to investments in marketable securities. The amount of cash provided by investing activities was higher in the comparable period primarily due to the net sale of marketable securities of $nil (2017 - $2,712,000), compared to purchases of $2,514,385 (2017 - $nil) in the current period.

Cash used in financing activities was $nil for the nine month period ended September 30, 2018 compared to cash used in financing activities of $4,450 for the nine month period ended September 30, 2017. Financing activities mainly relate to the issuance of shares. The use of cash in the comparable period was due to the share repurchases of $4,450 during that period.

Cash used by discontinued operations was $4,371,316 for the nine month period ended September 30, 2018 (2017 - $3,534,300). Discontinued operations relate to the operations of the Discontinued Subsidiaries. The lower cash flows for the nine month period ended September 30, 2018 as compared to 2017 is due primarily to the decrease in sales at Xenemetrix.

It is not possible to predict if or when the Company will achieve profitable levels of operations as the Company has posted net losses for several annual financial periods. Management of the Company expects that the Company's existing cash and other current assets, as well as the proceeds from the SICPA Termination Agreement will be adequate to meet its short-term working capital requirements for the next 12 months. As at September 30, 2018, the Company had working capital of $4,983,096 (December 31, 2017 - $8,307,402). Based on working capital of $4,983,096 (December 31, 2017 - $8,307,402) and proceeds receivable from the sale of GFI, the Company believes it will meet its working capital requirements for the next 12 months.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel of the Company

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

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

The remuneration of directors and other members of key management personnel during the three and nine month periods ended September 30, 2018 and 2017 were as follows:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2018	2017	2018	2017
Bruce Rowlands (Chairman, former CEO)	(i)	$ -	$ 50,000	$ 250,000	$ 150,000
Andres Tinajero (CFO)	(ii)	45,500	25,000	95,500	75,000
Doron Reinis (former President of Xenemetrix and XwinSys)	(iii)	492,971	101,816	700,977	314,476
Charlotte May (Corporate Secretary)	(iv)	44,500	24,000	92,500	72,000
Gilles Leraille (Director)	(v)	-	-	-	38,000
Dennis Logan (Director)	(vi)	8,500	4,500	42,500	13,500
Paul Wood (CEO and Director)	(vii)	79,500	4,500	168,500	13,500
Kenneth Wawrew (Director)	(viii)	8,500	4,500	37,500	13,500
		$ 679,471	$ 214,316	$ 1,387,477	$ 689,976

Notes:

(i) For the three and nine month period ended September 30, 2018, Bruce Rowlands, through his Company W. B. Rowlands & Company Ltd., was paid $nil and $50,000 respectively (2017 - $50,000 and $150,000 respectively) in professional service fees for CEO services pursuant to an agreement entered into by the Company and W. B. Rowlands & Company Ltd. In addition, $200,000 (2017 – $nil) was paid for severance in the three month period ended March 31, 2018.

(ii) For the three and nine month period ended September 30, 2018, Andres Tinajero, through his Company, 2222263 Ontario Inc., was paid $45,500 and $95,500 respectively (2017 - $25,000 and $75,000 respectively) in professional service fees for CFO services pursuant to an agreement entered into by the Company and 2222263 Ontario Inc. In addition 100,000 stock options and 500,000 RSU's (2017 - nil and nil) were issued with a value of $3,000 and $17,500 respectively (2017 - $nil and $nil respectively).

(iii) For the three and nine month period ended September 30, 2018, Doron Reinis, through Business Processes Logistic Services Ltd. ("BPLS"), a company that Doron Reinis holds a 50% interest in, was paid $82,471 and $290,477 respectively (2017 - $101,816 and $314,476 respectively) in professional service fees for services as former COO of Eurocontrol and as former President of Xenemetrix, XwinSys and Croptimal pursuant to an agreement assumed by the Company when it acquired Xenemetrix in 2010. In addition, $410,500 (2017 – $nil) was accrued for severance in the nine month period ended September 30, 2018 pursuant to the sale of the subsidiaries in Israel.

(iv) For the three and nine month period ended September 30, 2018, Charlotte May, through her Company CMA Corporate Management, was paid $44,500 and $92,500 respectively (2017 - $24,000 and $72,000 respectively) in professional service fees for corporate secretarial services pursuant to an agreement entered into by the Company and CMA Corporate Management.. In addition 100,000 stock options and 500,000 RSU's (2017 - nil and nil) were issued with a value of $3,000 and $17,500 respectively (2017 - $nil and $nil respectively).

(v) For the three and nine month period ended September 30, 2018, Gilles Leraille, a former director, was issued nil and nil (2017 - nil and 300,000 respectively) stock options respectively with a value of $nil and $nil respectively (2017 - $nil and $38,000 respectively). These options later expired unexercised on September 23, 2017 in accordance with the terms of the Company's stock option plan.

(vi) For the three and nine month period ended September 30, 2018, Dennis Logan, through his Company 9703373 Canada Inc., was paid $8,500 and $42,500 respectively (2017 - $4,500 and $13,500 respectively) in director and special committee fees. In addition 150,000 stock options (2017 - nil) were issued with a value of $4,000 (2017 - $nil).

(vii) For the three and nine month period ended September 30, 2018, Paul Wood, through his Company Kappa Advisors Ltd., was paid $79,500 and $168,500 (2017 - $4,500 and $13,500 respectively) for CEO services and director fees and special committee fees. In addition 200,000 stock options and 700,000 RSU's (2017 - nil and nil) were issued with a value of $5,000 and $24,500 respectively (2017 - $nil and $nil respectively).

(viii) For the three and nine month period ended September 30, 2018, Kenneth Wawrew was paid $8,500 and $37,500 respectively (2017 - $4,500 and $13,500 respectively) in director fees and special committee fees. In addition 150,000 stock options (2017 - nil) were issued with a value of $4,000 (2017 - $nil).

As at September 30, 2018, an amount of $545,085 (December 31, 2017 - $9,996) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

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 its ability to attract a transaction or other strategic alternative, general economic conditions, and regulatory requirements. There is no assurance that the strategic review will result in a transaction or other strategic alternative and the Board of Directors has not set a timetable for the completion of the review process.

Market Risk for Securities

The market price for Eurocontrol common shares could be subject to wide fluctuations. Factors such as overall market movements, commodity prices, government regulation, interest rates, and share price movements of peer companies and competitors may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk

Eurocontrol may become subject to liability for risks against which the Company cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel Risk

The Company's success is reliant on its directors and officers developing the business and managing its operations, and on the ability to attract a transaction or other strategic alternative. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that Eurocontrol will be able to attract or retain key personnel in the future, which may adversely impact its operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Eurocontrol will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, Eurocontrol may be subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on favourable terms.

Foreign Customers

The strategic review may result in a transaction that may be exposed to customers that are located mainly in countries that may be considered to be politically and/or economically unstable.

Other Risk Factors

As the Company has a history of losses, there is no assurance that its business will ever become consistently profitable. Eurocontrol has incurred substantial losses since the Company was founded. There is no assurance that the Company will generate an overall profit from its business in the future or that it will reach profitability on a sustained basis.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivable under earn out agreement, long term portion of receivable under earn out agreement, amounts receivable, and accounts payable and accrued liabilities. In the opinion of management of the Company, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair values of these financial instruments approximate their carrying values.

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

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

As at September 30, 2018 and December 31, 2017, there were no significant concentrations of credit risk for cash and cash equivalents, receivable under earn out agreement, long term portion of receivable under earn out agreement and amounts receivable as the Company currently transacts with highly rated counterparties. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such cash and cash equivalents, and receivables. As at September 30, 2018 and December 31, 2017, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

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

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

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents and the receivable under the SICPA Termination Agreement. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at September 30, 2018, the Company had a cash and cash equivalents balance of $73,618 (December 31, 2017 - $6,500,080) to settle current liabilities of $1,162,476 (December 31, 2017 - $1,440,117). Working capital for the Company as at September 30, 2018 was $4,983,096 (December 31, 2017 - $8,307,402).

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

Market Risk

(a) Foreign currency risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The strategic review may result in a transaction that may expose the Company to transactions denominated in foreign currencies, and as such the Company may be exposed to price risk due to fluctuations in foreign currency exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign currency risk.

Based on the foreign currency balances at September 30, 2018, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately $201,000 (2017 - $135,000). This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

The exposure of the Company's financial assets and liabilities to foreign currency risk as at September 30, 2018 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	$ 73,131	487	$ 73,618
Amounts receivable	24,361	-	24,361
Current portion of long term receivable	2,600,000	-	2,600,000
	$ 2,697,492	$ 487	$ 2,697,979
Financial liabilities			
Accounts payable and accrued liabilities	$ 134,131	$ 563,480	$ 697,611
	$ 134,131	$ 563,480	$ 697,611

(b) *Commodities price risk*

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

(c) *Political risk*

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Adoption New Accounting Standards

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

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

	IAS 39	IFR 9
Cash and Cash Equivalents	Fair Value through profit or loss	Fair Value through profit or loss
Marketable securities	Fair Value through profit or loss	Fair Value through profit or loss
Amounts receivable	Loans and Receivables, measured at amortized cost	Amortized cost
Current portion of long term receivable and long term receivable	Loans and Receivables, measured at amortized cost	Amortized cost
Investments	Available for sale	Financial asset at fair value through other comprehensive income
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost

There was no material impact on the Company's condensed consolidated interim financial statements upon adoption of this standard.

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

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

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

Pending Accounting Standards

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

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Company has not yet determined the impact of the amendments on the Company's financial statements.

MANAGEMENT'S RESPONSIBILITY

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

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

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

November 29, 2018

Paul Wood
Interim President and CEO, Director