

CARBON FRIENDLY SOLUTIONS INC.

MANAGEMENT INFORMATION CIRCULAR as at **December 1, 2011** (except, as indicated)

This information circular (“**Information Circular**”) is provided in connection with the solicitation of proxies by the management of **Carbon Friendly Solutions Inc.** (the “**Company**”) for use at the Annual General Meeting of the shareholders of the Company (the “**Meeting**”) to be held on **December 28, 2011**, at the offices of the Company located at Suite 2500 – 555 West Hastings Street, Vancouver, British Columbia at 10:00 a.m. (Vancouver Time) and at any adjournments thereof for the purpose set forth in the enclosed Notice of Annual General Meeting (“**Notice of Meeting**”).

The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, facsimile or other electronic means of communication or in person by the directors and officers of the Company. The cost of such solicitation will be borne by the Company.

DISTRIBUTION OF MEETING MATERIALS

This Information Circular and related Meeting materials are being sent to both registered and non-registered holders of common shares of the Company.

If you are a non-registered holder and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the appropriate voting information form.

A shareholder may receive multiple packages of Meeting materials if the shareholder holds common shares through more than one intermediary (an “**Intermediary**”), or if the shareholder is both a registered shareholder and a non-registered shareholder for different shareholdings. Any such shareholder should repeat the steps to vote through a proxy, appoint a proxyholder or attend the Meeting, if desired, separately for each shareholding to ensure that all the common shares from the various shareholdings are represented and voted at the Meeting.

APPOINTMENT OF PROXYHOLDER

The individuals named in the accompanying form of proxy are directors and/or officers of the Company. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON OR COMPANY (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON’S OR COMPANY’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY.** Such a shareholder should notify the nominee of his or her appointment, obtain his or her consent to act as proxy and instruct him or her on how the shareholder’s shares are to be voted. In any case, the form of proxy should be dated and executed by the shareholder or his/her attorney authorized in writing, or if the shareholder is a company, under its corporate seal, or by an officer or attorney thereof duly authorized.

A proxy will not be valid for the Meeting or any adjournment thereof unless the completed, signed and dated form of proxy is delivered to the office of Computershare Investor Services Inc. by mail or by hand at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not later than 48 hours (excluding Saturdays, Sundays and holidays) before the commencement of the Meeting.

REVOCAION OF PROXIES

A proxy may be revoked at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it, any time before it is exercised, by instrument in writing executed by the shareholder or by his or her attorney authorized in writing and deposited with Computershare Investor Services Inc. by mail or by hand at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting. Where a proxy has been revoked, the shareholder may personally attend at the Meeting and vote his or her shares as if no proxy had been given.

VOTING OF PROXIES

The persons named in the enclosed form of proxy have indicated their willingness to represent, as proxyholders, the shareholders who appoint them. Each shareholder may instruct his or her proxyholder how to vote his or her shares by completing the blanks in the form of proxy.

Shares represented by properly executed proxy forms in favour of the persons designated on the enclosed proxy form will be voted or withheld from voting on any poll in accordance with instructions made on the proxy forms, and, if a shareholder specifies a choice as to any matters to be acted on, such shareholder's shares shall be voted accordingly. **In the absence of such instructions, the management designees, if named as proxy, will vote in favour of all matters set out thereon.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. At the time of printing this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING BY NON-REGISTERED SHAREHOLDERS

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.

Shareholders who hold shares through their brokers, intermediaries, trustees or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Company may be recognized and acted upon at the Meeting. If shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder **will not** appear on the share register of the Company. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of "CDS & Co.", the registration name of The Canadian Depository for Securities Limited, which

acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting instructions provided by their broker, agent or nominee with this Information Circular and ensure that they direct the voting of their shares in accordance with those instructions.**

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder's broker, agent, or nominee is limited to instructing the registered holder of the relevant shares on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc ("Broadridge"). Broadridge typically supplies a voting instruction form, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote shares directly at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.**

RECORD DATE

The directors of the Company have set the close of business on **November 23, 2011**, as the record date (the "**Record Date**") for the Meeting. Only common shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholders transfer shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established ownership of such shares, requests not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee will be entitled to vote such shares at the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular and except for the fact that certain directors and officer of the Company may have been granted stock options, management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer of the Company, any nominee for election as a director of the Company or any associate or affiliate of any such person, in any matter to be acted upon at the Meeting other than the election of directors.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The holders of the Company's common shares of record on the Record Date are entitled to vote such shares at the Meeting on the basis of one vote for each common share held. The Company is authorized to issue 100,000,000 of common shares without par value of which **50,078,955** shares are issued and outstanding as at the Record Date. The Company has no other class of voting securities.

A quorum for the transaction of business at the Meeting is "two persons who are, or who represent by proxy, shareholders who are entitled to be voted at the meeting".

To the knowledge of the directors and executive officers of the Company, and based on the Company's review of the records maintained by Computershare Investor Services Inc., electronic filings with the System for Electronic Document Analysis and Retrieval (SEDAR) and insider reports filed with System for Electronic Disclosure by Insiders (SEDI), the following shareholder beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the voting rights attached to all outstanding shares of the Company as at the Record Date:

<u>Shareholder Name And Address</u>	<u>Number Of Shares Held</u>	<u>Percentage Of Issued Shares</u>
CDS & Co. ⁽¹⁾ 25 The Esplanade PO Box 1038, STN A Toronto, ON M5W 1G5	39,525,404 ⁽²⁾	79.02%

Notes:

(1) CDS is a clearing agency.

(2) The information as to the shares beneficially owned by CDS is not within the knowledge of the Company and has been extracted from the register of shareholders maintained by the registrar and transfer agent for the Company's shares.

EXECUTIVE COMPENSATION

In this Information Circular:

Chief Executive Officer ("CEO") means an individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.

Chief Financial Officer ("CFO") means an individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.

Named Executive Officer ("NEO") means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 – *Statement of Executive Compensation*, for that financial year; and

- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

“**option-based award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features.

“**share-based award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

Objective

The following disclosure of all direct and indirect compensation provided to certain executive officers and directors for, or in connection with, services they have provided to the Company or a subsidiary of the Company is being made in accordance with Form 51-102F6 – *Statement of Executive Compensation*.

The objective of this disclosure is to communicate the compensation the board of directors of the Company (the “**Board**”) intended the Company to pay, make payable, award, grant, give or otherwise provide to each NEO and director for the financial year. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the Company and will help investors understand how decisions about executive compensation are made.

Compensation Discussion and Analysis

The Company’s compensation policies and programs are designed to be competitive with similar biotech companies and to recognize and reward executive performances consistent with the success of the Company’s business. The significant objectives, elements and formula for compensation awarded to, earned by, paid to, or payable to NEOs for the year ended June 30, 2011, were to:

- (a) attract and retain experienced and talented executive officers;
- (b) inspire excellence in the performance of executive officers; and
- (c) align shareholder and executive officer interests.

The Company relies solely on the discussions of the Board, without any formal objectives, criteria and analysis, for determining executive compensation.

Option Based Awards

The Company has in place a stock option plan (the “**Plan**”) dated September 3, 2009, which was previously approved by the Company’s shareholders on October 8, 2009, and reapproved by the Company’s shareholders on December 29, 2010, in accordance with applicable regulatory requirements.

The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the board. The Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

The Board approves base salaries, annual cash incentives and stock options at the same time to facilitate consideration of target direct compensation to executive officers. Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for the options is the closing price of the stock on the date of grant or the day after the grant if the grant day falls on a weekend or non-market day.

Summary Compensation Table

The following table sets out certain information respecting the compensation paid to the NEOs of the Company, and its subsidiaries, Global CO2 Reduction Inc. and MicroCoal Inc., for the financial year ended June 30, 2011.

NEO Name and Principal Position	Year Ended June 30	Salary ⁽¹⁾ (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Stan Lis President & Director	2011	181,458	Nil	23,525	Nil	Nil	Nil	15,341	220,324
	2010	166,200	Nil	61,250 ⁽²⁾	Nil	Nil	Nil	15,408	242,858
	2009	144,000	Nil	69,000	Nil	Nil	Nil	15,605	228,605
Michael Young ⁽⁴⁾ Former CEO & Director	2011	Nil	Nil	Nil	Nil	Nil	Nil	4,800	4,800
	2010	136,000	Nil	52,500 ⁽²⁾	Nil	Nil	Nil	15,408	203,908
	2009	120,000	Nil	63,250	Nil	Nil	Nil	15,490	198,740
Hari Varshney ⁽⁵⁾ CFO, Secretary & Director	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2010	Nil	Nil	Nil	Nil	Nil	Nil	9,000	9,000
	2009	Nil	Nil	17,250	Nil	Nil	Nil	29,500	46,750
Ping Shen ⁽⁶⁾ CFO	2011	69,500	Nil	17,426	Nil	Nil	Nil	Nil	86,926
	2010	29,900	Nil	17,500 ⁽²⁾	Nil	Nil	Nil	Nil	47,400
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Slawomir Smulewicz ⁽⁷⁾ Chief Executive Officer & Director	2011	105,975	Nil	26,139	Nil	Nil	Nil	15,341	147,455
	2010	146,200	Nil	61,250 ⁽²⁾	Nil	Nil	Nil	14,400	221,850
	2009	72,000	Nil	69,000	Nil	Nil	Nil	2,597	143,597
Ben Zion Livneh CEO, MicroCoal Inc.	2011	95,958	Nil	19,604	Nil	Nil	Nil	Nil	115,562

Notes:

- (1) Includes the dollar value of cash and non-cash base salary earned during the year ended June 30, 2011.
- (2) These amounts represent the dollar amount based on the grant date fair value of the award for the year and include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts, for the year ended June 30, 2011.
- (3) These amounts cover compensation other than amounts already set out in the table for the year ended June 30, 2011 and include (a) auto allowance, fitness membership and health insurance and [(b) management and administrative fees paid to Varshney Capital Corp. in which Mari Varshney owned 33% pursuant to a management and administrative services agreement dated September 1, 2008].
- (4) Mr. Young resigned as the CEO and director of the Company effective October 29, 2010.
- (5) Mr. Varshney resigned as the CFO effective August 26, 2009, resigned as the Secretary and a director of the Company effective October 8, 2009.
- (6) Ms. Ping Shen was appointed as the CFO of the Company effective August 26, 2009.
- (7) Mr. Slawomir Smulewicz was appointed as the CEO of the Company effective June 23, 2011.

Incentive Plan Awards

The following table summarizes all share-based and option-based awards granted by the Company to its NEOs which were outstanding as at the financial year ended June 30, 2011.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Stan Lis	300,000	\$0.23	October 6, 2013	Nil	N/A	N/A
	175,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	120,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Ben Zion Livneh	225,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Slawomir Smulewicz	300,000	\$0.23	October 6, 2013	Nil	N/A	N/A
	175,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	250,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Ping Shen	50,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	200,000	\$0.20	February 8, 2016	Nil	N/A	N/A

Notes:

- (1) Calculated using the closing price of the Common Shares on the TSXV on December 31, 2010 of [**\$0.05**] and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Pension Plan Benefits

As at the year ended June 30, 2011, the Company did not maintain any defined benefit plans, defined contribution plans or deferred compensation plans.

Termination and Change of Control Benefits

Stan Lis, President of the Company, has entered into a Consulting Agreement with the Company dated as of July 1, 2007, commencing July 1, 2007 and continuing until June 30, 2010 (the "**Lis Agreement**"). The Lis Agreement will be automatically renewed for consecutive periods of one year unless the Company or Mr. Lis gives the other party 30 days written notice of non-renewal prior to the expiry of the term of engagement. Pursuant to the terms of the Lis Agreement, Mr. Lis will receive a consulting fee of \$144,000 per annum, plus applicable GST, payable in monthly installments of \$12,000 per month on the first day of each month. In addition, Mr. Lis will receive a car allowance of \$1,200 per month commencing on October 1, 2007. Mr. Lis will receive an increase of a minimum of 5% per annum, the first of which was provided on July 1, 2008. Mr. Lis is entitled to receive an incentive bonus at any time during the term of the Lis Agreement as determined by the Board. He will be reimbursed for all reasonable expenses incurred in connection with his duties as a consultant for the Company. He is also entitled to receive options to purchase common shares of the Company and benefit from all life insurance, pension plans, medical insurance and similar benefits as made available and as determined by the Board. The Company may at any time during the term of the Lis Agreement terminate the Lis Agreement for cause, without notice and without liability for any claim, action or demand as set out in

the Lis Agreement. In the event of a change in control during the term of the Lis Agreement, and should Mr. Lis be terminated within 12 months of any change in control, he is entitled to receive a lump sum payment equal to the greater of (i) a portion of the consulting fee remaining for the rest of the period; and (ii) one year's consulting fee. Mr. Lis may terminate the Lis Agreement at any time by providing 30 days' written notice to the Company and any consulting fee or bonus to which he is entitled will cease on the date of termination.

Slawomir Smulewicz, Chief Executive Officer, Vice-President of the Company, has entered into a Consulting Agreement with the Company dated as of June 22, 2009, commencing July 1, 2009 and continuing until June 30, 2011 (the "**Smulewicz Agreement**"). The Smulewicz Agreement will be automatically renewed for consecutive periods of one year unless the Company or Mr. Smulewicz gives the other party 30 days written notice of non-renewal prior to the expiry of the term of engagement. Pursuant to the terms of the Smulewicz Agreement, Mr. Smulewicz will receive a consulting fee of \$84,000 per annum, plus applicable GST, payable in monthly installments of \$7,000 per month on the first day of each month. In addition, Mr. Smulewicz will receive a car allowance of \$1,200 per month commencing on July 1, 2011. Mr. Smulewicz will receive an increase of a minimum of 5% per annum, the first of which was provided on July 1, 2010. Mr. Smulewicz is entitled to receive an incentive bonus at any time during the term of the Smulewicz Agreement as determined by the Board. He will be reimbursed for all reasonable expenses incurred in connection with his duties as a consultant for the Company. He is also entitled to receive options to purchase common shares of the Company and benefit from all life insurance, pension plans, medical insurance and similar benefits as made available and as determined by the Board. The Company may at any time during the term of the Smulewicz Agreement terminate the Smulewicz Agreement for cause, without notice and without liability for any claim, action or demand as set out in the Smulewicz Agreement. In the event of a change in control during the term of the Smulewicz Agreement, and should Mr. Smulewicz be terminated within 12 months of any change in control, he is entitled to receive a lump sum payment equal to the greater of (i) a portion of the consulting fee remaining for the rest of the period; and (ii) one year's consulting fee. Mr. Smulewicz may terminate the Smulewicz Agreement at any time by providing 30 days written notice to the Company and any consulting fee or bonus to which he is entitled will cease on the date of termination.

Director Compensation

There were no arrangements under which directors were compensated by the Company and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants, other than as set out herein.

The following table sets out all share-based awards and option-based awards outstanding as at June 30, 2011, for each non-executive director of the Company.

Name	Fees earned (\$)¹	Option-based Awards				Share-based Awards	
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
William Hudson	\$18,000	150,000	\$0.20	Feb 8, 2016	Nil	N/A	N/A
Ian Hume	\$36,147	150,000	\$0.20	Feb 8, 2016	Nil	N/A	N/A

Notes:

- (1) Includes fees paid or accrued during the fiscal year.
- (2) Refer to footnote (2) in the "Summary of Compensation" table for Named Executive Officers for the method of determining the value of options based awards.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

During fiscal 2009, the Company maintained a 10% rolling stock option plan (the “**2009 Stock Option Plan**”) dated September 3, 2009, which was approved by the Company’s shareholders at its last Annual General Meeting held on October 8, 2009, and by the TSX Venture Exchange on December 16, 2009. The 2009 Stock Option Plan was reapproved by the Company’s shareholders at the Company’s Annual General Meeting held on December 29, 2010 in accordance with applicable regulatory requirements. Pursuant to the 2009 Stock Option Plan, the directors, or a committee of directors appointed by the Board, granted to directors, officers, employees, management company employees and consultants of the Company options to purchase common shares.

The 2009 Stock Option Plan was the only equity compensation plan of the Company for fiscal 2010. The following table sets forth information with respect to the options outstanding under the 2009 Stock Option Plan as at November 23, 2011.

Plan Category	Number of common shares to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of common shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by Shareholders	3,871,348	0.24	587,048
Equity Compensation Plans not approved by Shareholders	N/A	N/A	N/A
TOTAL:	3,871,348	0.24	587,048

Description of the 2009 Stock Option Plan

Following is a summary of the substantive terms of the 2009 Stock Option Plan.

- (a) the Company may grant stock options representing over 5% of the issued shares in any 12 month period to any one individual with the approval of disinterested shareholders;
- (b) the Company has the right to extend expiry of options granted to optionees to expire beyond 90 days following the termination of the relationship between the optionee and the Company to a maximum of one year;
- (c) the Company may grant stock options without an Exchange Hold Period on the underlying shares where the exercise price of the options is greater than or equal to the Market Price. The Exchange Hold Period will only apply if the exercise price of the stock option is based on the Discounted Market Price;
- (d) the Company has the right to extend expiry of options granted to persons performing Investor Relations Activities beyond 30 days following the termination of the relationship between the optionee performing Investor Relations Activities and the Company to a maximum of one year;
- (e) the Company may grant options having a term of up to 10 years; and
- (f) subject to any regulatory approval the Board may in its absolute discretion, amend or modify the 2009 Stock Option Plan or any Option granted as follows:
 - (i) it may make amendments which are of a typographical, grammatical or clerical nature only;

- (ii) it may change the vesting provisions of an Option granted hereunder;
- (iii) it may change the termination provision of an Option granted hereunder which does not entail an extension beyond the original Expiry Date of such Option;
- (iv) it may make amendments necessary as a result in changes in securities laws applicable to the Company;
- (v) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSXV, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (vi) it may make such amendments as reduce, and do not increase, the benefits of the 2009 Stock Option Plan to Service Providers.

For the purposes of this disclosure, the definitions of “**Exchange Hold Period**”, “**Market Price**” and “**Discounted Market Price**” are set out in TSXV Policy 1.1 *Interpretation*.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness of any: (a) director; (b) executive officer; (d) proposed nominee for election as a director; (e) associate of a director, executive officer or proposed nominee for election as a director; (f) employee or (g) former director, executive officer or employee of the Company, to or guaranteed or supported by the Company or any of its subsidiaries either pursuant to an employee stock purchase program of the Company or otherwise, during the most recently completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the informed persons of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, in any transactions since the commencement of the Company’s last completed financial year, or in any proposed transaction which, in either case, has or will materially affect the Company or any of its subsidiaries, except as disclosed herein.

Applicable securities legislation defines “**informed person**” to mean any of the following: (a) a director or executive officer of a reporting issuer; (b) a director or officer of a person or company that is itself an informed person or subsidiary of a reporting issuer; (c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

MANAGEMENT CONTRACTS

During year ended June 30, 2011, no management functions of the Company were to any substantial degree performed by a person other than the directors or executive officers of the Company.

CORPORATE GOVERNANCE DISCLOSURE

Corporate governance relates to activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the

interest of its shareholders and contribute to effective and efficient decision making. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) requires that each reporting company disclose its corporate governance practices on an annual basis. The Company’s general approach to corporate governance is summarized below.

Board of Directors

Independence

Section 1.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) sets out the standard for director independence. Under NI 52-110, a director is independent if such director has no direct or indirect material relationship with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship to the Company.

Applying the definition set out in section 1.4 of NI 52-110, 2 of the 5 members of the Board are independent. The members who are independent are: Ian Hume and William P. C. Hudson. Ben Zion Livneh, Stan Lis and Slawomir Smulewicz are not independent by virtue of the fact that each is an executive officer of the Company (Stan Lis is the President and interim CEO of the Company; Slawomir Smulewicz is the Chief Executive Officer, Vice-President of the Company, Ben Zion Livneh is the Chief Executive Officer of the MicroCoal Inc.).

In order to facilitate its exercise of independent judgment in carrying out the responsibilities of the Board, the Board ensures that its independent Directors are in attendance at all Board meetings.

Other Directorships

No directors of the Company serve as directors of any other reporting issuers or reporting issuer equivalents.

Orientation and Continuing Education

When new directors are appointed, they receive an orientation, commensurate with their previous experience, on the Company’s properties, business, technology and industry and on the responsibilities of directors.

Board meeting may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors’ participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interest of the Company.

Nomination of Directors

The Board does not have a nominations committee or a formal procedure with respect to the nomination of directors. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members.

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

Board Committees

The Company does not have any committees other than an Audit Committee.

Audit Committee

The Audit Committee is comprised of Ian Hume, William P. C. Hudson and Stan Lis, all of whom are financially literate in accordance with national securities legislation.

Applying the definition set out in section 1.4 of NI 52-110, two of the three members of the Audit Committee are independent.

The Audit Committee's mandate includes reviewing: (i) the financial statements, reports and other financially-based information provided to shareholders, regulators and others; (ii) the internal controls that management and the Board have established; and (iii) the audit, accounting and financial reporting processes generally. In meeting these responsibilities, the Audit Committee monitors the financial reporting process and internal control system; reviews and appraises the work of the external auditors; and provides an open avenue of communication between the external auditors, senior management and the Board.

All of the members of the Audit Committee are financially literate, in that they have the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto. Additionally, all of the members of the Audit Committee have accounting or related financial experience and are able to analyze and interpret a full set of financial statements.

A copy of the Audit Committee's Charter is set out in the information circular for the annual and special meeting of shareholders held on July 8, 2008 and filed on www.sedar.com on June 18, 2008.

Audit Fees

The Audit Committee must pre-approve any engagement of the external auditors for any non-audit services to the Company in accordance with applicable law and policies and procedures to be approved by the Board. The engagement of non-audit services will be considered by the Company's Board on a case by case basis.

In the following table, "**audit fees**" are fees billed by the Company's external auditors for services provided in auditing the Company's annual financial statements for the subject year. "**Audit-related fees**" are fees not included in audit fees that are billed by the auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "**Tax fees**" are fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning. "**All other fees**" are fees billed by the auditors for products and services not included in the foregoing categories.

The fees paid by the Company to its auditors for each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
June 30, 2011	\$38,558	\$Nil	\$5,000	\$Nil
June 30, 2010	\$44,119	Nil	\$2,500	Nil

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 5 (Reporting Obligations) of NI 52-110.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements and Auditor's Report

The Board has approved the audited financial statements for the fiscal year ended June 30, 2011, together with the auditor's report thereon, copies of which have been sent to those shareholders who had requested receipt of same. Copies of these materials are available on SEDAR at www.sedar.com.

2. Ratification of Acts of Directors

Management of the Company intends to propose a resolution to ratify, confirm and approve all actions, deeds and conduct of the directors on behalf of the Company since the date of the Company's last annual meeting.

3. Re-Appointment of Auditors

Shareholders of the Company will be asked to vote for the re-appointment of BDO Canada LLP, Chartered Accountants, of Vancouver, British Columbia, appointed as of December 30, 2008 as the Company's auditors, to hold office until the next annual general meeting of the shareholders, at a remuneration to be fixed by the directors.

4. Set Number of Directors

Management of the Company intends to propose a resolution to set the number of directors at five.

5. Election of Directors

It is proposed that the below-stated nominees be elected at the Meeting as directors of the Company for the ensuing year. The persons designated in the enclosed form of proxy, unless instructed otherwise, intend to vote for the election of the nominees listed below to the Board. Each director elected will hold office until the close of the next annual general meeting or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

Management of the Company does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The following table sets out the names of management's nominees for election as directors, all offices in the Company each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of common shares of the

Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at November 23, 2011. No proposed director or the proposed director's associates or affiliates beneficially own, or control or direct, directly or indirectly, securities carrying 10% or more of the voting rights attached to all voting securities of the Company or of any of its subsidiaries

Name, Municipality of Residence and Position Held	Principal Occupation for the Past Five Years	Director of the Company Since	Number of Shares Beneficially Owned or Controlled⁽¹⁾
STAN LIS⁽²⁾ Vancouver, BC <i>President and Director</i>	President of Carbon Friendly Solutions Inc.	August 7, 2008	576,000
SLAWOMIR SMULEWICZ Vancouver, BC <i>Chief Executive Officer, Vice President and Director</i>	Vice President of Carbon Friendly Solutions Inc.	October 7, 2008	648,100
IAN HUME⁽²⁾ Washington, D.C. <i>Director</i>	Independent Consultant	September 15, 2010	“Unincorporated” or “Private unincorporated entity”
WILLIAM HUDSON⁽²⁾ Brownsville, Texas <i>Director</i>	Self-employed Real Estate Investor-Manager	October 26, 2010	75,000
BEN ZION LIVNEH Denver, CO <i>Director</i>	Chief Executive Officer of MicroCoal Inc.	February 2, 2011	3,494,685

Notes:

- (1) This information has been furnished by the respective directors.
(2) Member of Audit Committee.

To the knowledge of the Company, no proposed director:

- (a) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that,
- (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;

- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity.

ADDITIONAL INFORMATION

Additional information relating to the Company concerning the Company and its operations is available on SEDAR at www.sedar.com. Financial information concerning the Company is provided in its comparative financial statements and management's discussion and analysis for the Company's most recently completed financial year. Copies of this information are available either on SEDAR or by contacting the Company at its offices located at Suite 2500 – 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5, Phone: (604) 684-2181; Fax: (604) 682-4768.

BOARD APPROVAL

The contents of this Information Circular have been approved and its mailing has been authorized by the Board of the Company.

OTHER MATTERS TO BE ACTED UPON

Management of the Company is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matter properly comes before the Meeting, the accompanying form of proxy confers discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters that properly may come before the Meeting.

Dated as of this 1st day of December, 2011.

ON BEHALF OF THE BOARD OF DIRECTORS

"Stan Lis"

President & Director