



This Management Discussion and Analysis ("MD&A") of MicroCoal Technologies Inc. (formerly Carbon Friendly Solutions Inc.), (the "Company") has been prepared by management as of May 30, 2015 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended June 30, 2014.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

#### **FORWARD LOOKING INFORMATION**

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements may include, among other things, statements concerning plans, objectives and future economic prospect, expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements and industry result, to be materially different from what is said or implied with such forward-looking statements.

Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risk Factors".

#### **COMPANY OVERVIEW**

The Company was incorporated on April 6, 1990 as a provincial company under the laws of British Columbia, and on June 19, 1997 the Company continued as a federal corporation under the Canada Business Corporation Act. On September 2, 2008, the Company completed a share exchange with Global CO<sub>2</sub> Reduction Inc. (Global CO<sub>2</sub>) and changed its name to Carbon Friendly Solutions Inc. On June 25, 2013 the Company changed its name to MicroCoal Technologies Inc. ("MicroCoal"). The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "MTI" and the Frankfurt Stock Exchange under the symbol "0FS-FRA" ("zero FS-FRA").

The Company is in the business of researching and developing a coal technology using patented technologies to dewater, decontaminate and upgrade low-rank coals for use by power utilities and coal companies.

During the year ended June 30, 2011, the Company acquired a 58.21% interest in MicroCoal, Inc. through issuance of the Company's common shares in exchange for the equivalent shares of MicroCoal, Inc. MicroCoal, Inc. holds the patents to the MicroCoal technology. The Company is focused on commercializing the use of microwave energy and related process technologies to transform coal and other minerals into higher quality and higher value industrial materials. The principal assets of MicroCoal, Inc. are the coal technology patents and plant prototype components.

When the Company entered into the Share Exchange agreement, MicroCoal, Inc. had a principal amount of US\$2,250,000 owing to Orica US Services Inc. ("Orica"), a creditor and a shareholder of MicroCoal, Inc. Pursuant to the conditions stipulated on the Share Exchange agreement and other amending agreements entered into between 2011 and 2013, if the Company agreed to acquire the remaining interest 41.79% interest in MicroCoal Inc., Orica would reduce the principal amount to US\$1,000,000 and waive the interest

accruals up to the acquisition date. On January 7, 2013, the Company concluded an arrangement for the acquisition of the 41.79% interest where Orica reduced the debt to US\$1,000,000.

On August 14, 2014, the Company entered into a full and final settlement and release with Orica of all claims. As part of the settlement the company agreed to pay US\$150,000 to Orica in satisfaction of all amounts owing from the Company to Orica.

### Company Developments during Quarter 3

The Company is focused on commercializing the use of its technologies to upgrade low-rank coals to replace a portion of high-rank coals consumed in energy generation by power utilities. The deployment of the technology offers utilities significant economic, as well as operational performance benefits.

The proprietary dry coal technology has significant growth potential into multiple geographies and various industrial markets.

The quarter included significant activities involving corporate restructuring and re-focused efforts and investment in the research and development of its technologies, fundraising for research and development, construction of a pilot plant in Virginia and for general corporate purposes.

On March 25, 2015 the Company announced that it is in advanced stage discussions to move its interim research laboratory from Gaithersburg Maryland to a larger facility in Germantown, Maryland. MicroCoal is currently finalizing the lease for the new R&D facility, which will serve as a testing and process optimization center, separate from MicroCoal's commercial-scale test facility under construction in King William County, Virginia. MicroCoal also intends to revitalize its intellectual property development program at the R&D Facility after it begins operating. In addition, MicroCoal announced that Steve Lawson, VP of Research and Technology Development, has agreed to relocate to the Washington D.C. area in order to serve as the general manager overseeing operations at the R&D Facility. The Company is currently conducting a search for talented individuals to add to the research and development team.

On January 26, 2015, the Company repaid a loan from its Chairman in full, in the principal amount of US\$1,125,000 plus accrued interest.

On January 22, 2015 the Company closed a Joint Venture Agreement in China, with Jiu Feng Investments Inc. Pursuant to the terms of the JV agreement, MicroCoal and Jiu Feng Investments have formed a corporation domiciled in Hong Kong in which MicroCoal holds a 51% equity interest and majority position on its Board of Directors. As consideration for the substantial asset and expense contributions MicroCoal issued 10,000,000 common shares to Jiu Feng Investments at fair value of \$0.15 per share. The joint venture corporation is expected to source and test coal samples from Asian markets and to promote MicroCoal technology in China.

On January 21, 2015, the Company closed an Investment Agreement with Satellite Overseas (Holdings) Limited, an affiliate of Cadila Pharmaceuticals Limited. In connection with the agreement, MicroCoal issued 79,046,666 common shares to the investor at \$0.15 per share for aggregate gross proceeds of \$11.857 million (US\$10 million). The investor and MicroCoal are working to establish a joint venture in India to bring MicroCoal technology to the marketplace.

### The Benefits of MicroCoal's Process

According to the World Coal Institute, up to 5% of the carbon footprint of utilities can be eliminated by drying the coal prior to combustion. A further 22% of CO<sub>2</sub> emission can be reduced, improving generation efficiency. The direct result of this is a worldwide interest in clean coal and coal drying technologies, which is the focus of the MicroCoal's business initiative.

The deployment of the MicroCoal technology will give the utility three main benefits:

- ✓ **Economic benefits**, due to fuel switch from expensive high-rank coal to cheaper low-rank coal and with increased heat value of the latter, as well as additional revenue from generating carbon offsets;
- ✓ **Operational benefits**, due to marked change of slagging and ash build-up.

The combined benefits of the MicroCoal technology suite has been discussed with utilities, experts in the field, industry consultants and coal analysts, all of whom have indicated support for the approach. Indications are that, once funding has been secured, various utilities will be prepared to sign collaboration agreements with a view to applying the technology once its development is complete.

### MicroCoal Market Opportunity

Coal is, and will continue to be, an indispensable part of the global energy mix. However, coal requires innovation to enhance its long term appeal by improving its emissions profile and improving the efficiency of coal as a source of fuel. Over 4030 Mt<sup>1</sup> of coal is currently produced globally and is expected to reach 7 billion tonnes in 2030 – with China accounting for around half the increase over this period. The top five producers are China, the USA, India, Australia and South Africa. Coal currently fuels 39% of the world's electricity and this proportion is expected to remain at similar levels over the next 30 years. The biggest market for coal is Asia, which currently accounts for 54% of global coal consumption – although China is responsible for a significant proportion of this.

### The U.S. Market

Approximately 1,100 million tons of coal is consumed in the U.S. every year to generate 50% of the electricity in the country. The introduction of the Clean Air Act of 1990, and the Clean Air Act Amendment ("CAAA") in 2000 forced utilities to control their emissions to meet with US Environmental Protection Agency ("EPA") standards. Utilities are faced with two options for controlling emissions:

- Change fuel to low sulfur coal such as PRB coal, which is the cheaper option;
- Deploy high capacity post combustion control systems such as flue-gas desulfurization ("FGD"), mostly scrubbers, which is a very expensive option.

A combination of the above two options could also be applied. Approximately 40% of generation units have deployed FGD, while many have switched to PRB coal, as is evident in its spectacular growth. The other alternative for a plant is to deploy the MicroCoal technology, which will upgrade PRB coal to the heat value equivalent to high-ranking coal, thereby allowing utilities to benefit from the significant lower input costs. In 2007 the fleet of U.S. coal-fired power generation consisted of over 1,400 units in various sizes. Of these

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<sup>1</sup> World Coal Institute



units, 950 are designed to burn bituminous coal. These are the potential candidates for the MicroCoal technology. The immediate market segment for MicroCoal has been identified as those generation units with the capacity of 200MW and less, which totals over 600 units. The reasons for selecting this initial target market are:

- Smaller units are under pressure to come in-line with more stringent environmental standards, and are more threatened with closure than larger units.
- These units are typically older, and generally do not have space available to deploy traditional environmental control facilities such as FGD, which require large areas.

The second market segment, to be addressed by the Company are those units with a capacity of 500MW and higher, and emerging markets such as China and India will be the third market.

#### International Market

The worldwide installed base of coal-fired power generation is expected to grow by 67% by 2020. 80% of the growth will come from China and India. China alone accounts for over two-thirds of this growth. The price spread and quality difference between low-rank and high-rank coals in the rest of the world is similar to that of the U.S. The Company has tested Indonesian coal in its facilities, and showed that its technology is as applicable to international coals as it is to U.S. coals.

#### Carbon Reduction Using Biomass

Previously the Company had various biomass energy and renewable energy technology projects in Poland through the operations of subsidiary companies in Poland, namely, Carbiopel S.A. ("Carbiopel") and CO2 Reduction Poland Sp. z o.o. ("CO2 Reduction Poland"). The Company is focused on its coal technology and is no longer pursuing biomass projects in Poland. The Company has written down associated costs in previous years' operations, and is not making any provision for nominal costs in the future. Any recoveries from the disposition of plant and equipment or other sources are unknown.

#### SELECTED ANNUAL INFORMATION

Selected annual information from the consolidated audited financial statements for the three years ended is summarized as follows:

June 30,	2014	2013	2012
Revenues	Nil	Nil	96,037
Gross profit (loss)	Nil	Nil	31,628
Operating expense	4,500,773	4,961,789	4,535,526
Other income (expense)	(2,969,923)	1,326,936	(234,402)
Current income tax expense	-	(46,000)	-
Net loss for the year	(7,470,696)	(3,680,853)	(4,738,390)
Net loss per share	(0.10)	(0.06)	(0.07)
Total assets	203,249	3,783,418	5,889,512
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil



#### SUMMARY OF QUARTERLY RESULTS

Quarter ended	Total Assets	Revenues	Net profit (loss)	Profit (loss) per share
March 31, 2015	\$ 11,973,753	\$ -	\$ (413,445)	\$ (0.01)
December 30, 2014	1,045,491	-	(524,446)	(0.01)
September 30, 2014	412,324	-	938,144	0.01
June 30, 2014	203,249	-	( 3,364,413)	(0.04)
March 31, 2014	2,949,416	-	(1,052,355)	(0.01)
December 31, 2013	3,690,966	-	(1,419,124)	(0.02)
September 30, 2013	4,216,850	-	(1,634,804)	(0.02)
June 30, 2013	3,783,418	-	(2,883,005)	(0.04)

#### RESULTS OF OPERATIONS

During the three months ended March 31, 2015, the Company had an operating loss of \$817,524 showing a decrease of \$883,379 to the previous year comparative period. Operating costs were almost entirely comprised of consulting and professional fees of \$767,685. The main operating focus in the quarter ended March 31, 2015 was the construction of the King William, Virginia commercial scale pilot plant. The company had capital expenditures of \$1,271,054 on the plant, during the quarter. During the quarter, the company and its professional advisors also worked to advance the Plan of Arrangement transaction to reorganize the company's microwave technology business into a newly listed public entity, Targeted Microwave Solutions Inc.

During the month of February, the Issuer designed and began manufacturing a proprietary analytical device to measure the penetration of microwaves on various target materials at different concentrations. This initiative is part of the Issuer's R&D program to optimize throughput and efficiency of the MicroCoal® processing reactors.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash on hand of \$8,201,164 at March 31, 2015 (June 30, 2014 - \$86,652) and a working capital of \$7,837,855 (June 30, 2014 - \$2,942,247 deficiency).

The Company may, from time to time, have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

LOANS PAYABLE

	March 31, 2015	June 30, 2014
Pursuant to a loan agreement a director of the Company advanced the sum of \$100,000 USD to the Company. The interest rate is at 4% per annum. The loan was paid on August 15, 2014. On September 29, 2014 a new loan was advanced for USD \$125,000. During the 2 <sup>nd</sup> quarter the company also entered into and drew down a loan for USD \$1,000,000, in January 2015 the loans were repaid.	-	\$ 106,710
On January 7, 2013 the Company concluded an agreement with Orica and acquired the remaining 41.79% ownership of MicroCoal Inc. (Note 6). Orica transferred all remaining shares to the Company. Pursuant to various agreements in prior years, the Company agreed to pay the sum of US\$1 million to Orica of which \$225,000 had been paid, leaving a balance of US\$775,000 bearing interest at a rate of 5% per annum at June 30, 2013. The loan was renegotiated in August 2014 and both parties agreed to settle the outstanding loan as well as the accrued interest in Note 6 for \$160,065 (\$USD 150,000). This amount was paid in the period ended September 30, 2014.	-	827,390
	-	\$934,100

Three months ended March 31, 2015

On January 21, 2015 MicroCoal announced that it has signed and closed a definitive investment with an affiliate ("SOHL") of Cadila Pharmaceuticals Limited and that the two parties were working to complete a joint venture agreement with Cadila for the research, development and marketing of microwave technology in the Republic of India.

Pursuant to the Investment Agreement, SOHL has agreed to invest an aggregate of approximately \$11.857 million in MicroCoal by subscribing for 79,046,666 common shares of the Company at a price of \$0.15 per Share. The Investment Agreement also provides that SOHL will be given certain anti-dilution and participation rights to subscribe for certain future share issuances by the Company for so long as it holds at least 5% of the outstanding shares providing SOHL the option to maintain its *pro rata* percentage ownership in the Company. SOHL will also have the right to appoint a director to the board of the Company, which right will continue for so long as SOHL maintains ownership of 5% or more of the Shares.

The company believes having Cadila as a major shareholder and joint venture partner will accelerate the company's efforts to further develop and commercialize its microwave technology. The significant investment strongly affirms the Company's strategic direction, and this investment will support the Company's goal to complete MicroCoal's Generation 2.0 series of reactors in Virginia in the second quarter of 2015.





Further in January the company repaid the loans facilities provided by the Chairman of US\$1.125 million. The facilities were repaid with interest at 4% per annum. The purpose of the facilities were to fund ongoing professional, consulting and overhead costs as the company reorganized its research and development operations and progressed on the new King William, Virginia pilot plant.

On January 22, 2015 MicroCoal announced that it closed its previously announced joint venture agreement with an affiliate of Jiu Feng Investments Inc.

Lawrence Siegel, MicroCoal's CEO commented: "We are delighted to formally begin working with our JV Partner to establish an office in China through which to market our technology. The joint venture has already begun operating a significant research and development facility in China which we expect will not only provide valuable data to enhance our Generation 2.0 series of reactors under construction in Virginia, but also as a demonstration facility for potential customers in China and elsewhere in the region."

Pursuant to the terms of the Agreement, MicroCoal and the partner have formed a corporation domiciled in Hong Kong ("JVCO") in which MicroCoal holds a 51% equity interest and majority position on its Board of Directors. JVCO is expected to carry on its activities throughout China, Hong Kong, Taiwan, Macau and South Korea. In accordance with the terms of the Agreement, as consideration for the substantial asset and financial contributions from JFI in connection with, and in contemplation of, the joint venture, MicroCoal has issued 6 million common shares to the JV Partner, and has agreed to issue a further 4 million common shares to the JV Partner no later than 120 days following closing, assuming the JV Partner performs as required under the Agreement.

#### Nine months ended March 31, 2015

During the nine months ended March 31, 2015 the Company concluded assessment of the plant prototype with the findings that new improvements and concepts would be too difficult to implement in the existing unit and followed through with dismantling of the unit. Previously the unit which included coal technology was being amortized at the rate of 20% per year. With the decision to dismantle the unit, amortization was taken as usual (\$1,411,864) and an impairment charge of \$2,234,758 was taken.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	Nine months ended March 31, 2015	Nine months ended March 31, 2014
Key management personnel remuneration		
Management, director' and professional fees	\$ 318,083	\$ 544,400



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Fair value of shares and warrants issued to key management personnel to settle debt	26,284	415,283
Stock based compensation		24,937
Directors fees (including \$46,706 for the fair value of shares and warrants issued for debt)		65,706
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Total key management personnel remuneration	\$ 344,367	\$ 1,050,326

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#### EVENTS OCCURRING AFTER REPORTING DATE

On May 21, 2015 the "Company" announced today that its previously announced plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement") with its security holders and its wholly-owned subsidiary Targeted Microwave Solutions Inc. ("TMS") closed effective as at 12:01 a.m. (Vancouver time) (the "Effective Time") on May 21, 2015 (the "Effective Date").

Pursuant to the Arrangement, MTI caused substantially all of its business, operations, assets and liabilities to be transferred to TMS. Following completion of the Arrangement, TMS has substantially the same management and consultants as MTI had prior to the Effective Date. The directors of TMS are now Dr. James Young, Ian Hume and William Hudson, each of whom was a director of MicroCoal, and Dr. Rajiv Modi and Dr. Stephen Crocker, and the senior executives of TMS are Lawrence Siegel, chief executive officer, Tom Stefan, chief financial officer, and Jan Kindler, Vice President of Business Development.

As a result of the Arrangement, among other things: (i) each holder of MicroCoal's common shares as at the effective time of the Arrangement is entitled to receive 1 common share of TMS and, subject to rounding of fractions, 0.02 of a new common share of MicroCoal (renamed "La Jolla Capital Inc.") for each common share of MicroCoal held at the effective time of the Arrangement (the "La Jolla Shares"); (ii) the shareholders of MicroCoal received 100% of the common shares of TMS in the same proportion as they previously held in TMS and holders of warrants to purchase MicroCoal shares or units are entitled to receive warrants to purchase TMS shares or units in replacement therefor; (iii) TMS will pursue the business and operations carried on by MicroCoal prior to the Effective Date; and (iv) La Jolla Capital Inc. intends to focus on acquiring the Goldsmith Property located near Kaslo, British Columbia and pursuing business as a mining exploration company.

The common shares of TMS will begin trading on the Canadian Securities Exchange (the "CSE") at the open of the market on May 22, 2015 under the symbol "TMS". As set out in further detail in MicroCoal's management information circular dated April 15, 2015 (the "Circular"), the common shares of MicroCoal will be delisted from the CSE concurrent with the listing of the TMS common shares. The Company currently intends to apply to list the La Jolla Shares on the CSE once it has met the original listing criteria of the CSE.



## **FINANCIAL INSTRUMENTS**

As at December 31, 2014, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loans payable. The carrying values of these financial instruments approximate their fair values because of their current nature.

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity);

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of September 30, 2014, the Company had derivative warrant liabilities that were required to be recorded at fair value using level 2 inputs.

### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company has no variable interest debt. The Company's ability to raise capital to fund activities is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or sales from contracts, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further development of the Company's projects.

#### Interest rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

#### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and cash with major financial institutions. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

#### Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in the United States dollar (USD). Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

The following table provides an indication of the Company's significant foreign exchange currency exposure:

	United States	
	March 31, 2015	June 30, 2014
Cash	\$ 8,169,306	\$ 70,541
Accounts payable and accrued liabilities	-	(208,307)
Related parties	-	(8,376)
Loans payable	-	(934,100)
	\$ 8,169,306	\$ (1,080,242)

The following exchange rates were applied:

	Nine months ended March 31, 2015		Year ended June 30, 2014	
	Average rate	Spot rate	Average rate	Spot rate
Canadian dollars to US dollars	0.8654	0.7895	0.9411	0.9039

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#### Standards, Amendments and Interpretations Not Yet Adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2013 or later years. The following standards and interpretations have been issued but are not yet effective:

- **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

- **IAS 32 Amendments**

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

- **IAS 36 Impairment of Assets**

Amendments to IAS 36, 'Impairment of Assets' addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

- **IFRIC 21 Levies Imposed by Governments**

IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its consolidated financial statements.

The Company will adopt the amendments of IAS 9, IAS 32 and IAS 36 for its reporting period beginning July 1, 2014 and does not expect the adoption of these standards to have a significant impact on its consolidated financial statements.

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**OTHER REQUIREMENTS**

Summary of Outstanding Share Data as at May 29, 2015

Authorized – unlimited shares without par value

Shares Issued:	
December 31, 2014	90,453,410
Private placement *	89,046,666
Options exercised	-
Total at May 29, 2015	179,500,076

\* includes Cadila Investment agreement and Jiu Feng Investments joint venture agreement 10 million share issuance.

Stock options:	
December 31, 2014	3,220,000
Granted	-
Exercised	-
Total at May 29, 2015	3,220,000

Warrants:	
December 31, 2014	37,592,682
Issued	-
Total at May 29, 2015	37,592,682

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).