



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

(Expressed in Canadian Dollars unless otherwise stated.)

November 30, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

This Management's Discussion and Analysis ("**MD&A**") of the operating results and financial position of Targeted Microwave Solutions Inc. is a complement and supplement to, and should be read in conjunction with, TMS's unaudited condensed interim consolidated financial statements and related notes for the three and nine month periods ended September 30, 2015 (the "**Financial Statements**"), available on SEDAR at www.sedar.com. Management is responsible for the preparation of the consolidated financial statements and other financial information relating to TMS included in this MD&A. This MD&A is prepared as of November 27, 2015.

TMS prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The Financial Statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 – "*Interim Financial Reporting*" and comparative figures.

Any market and industry data contained in this MD&A is based upon information, surveys or studies conducted by independent third parties and independent industry or general publications and TMS's knowledge of, and experience in, the markets in which it operates. TMS has no reason to believe that such information is false or misleading, however, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process and other limitations and uncertainties inherent in any statistical survey. This information has not been independently verified by TMS, any of its directors, officers or representatives or any other person involved in the preparation of this MD&A, and no representation is given as to the accuracy or completeness of any of the data referred to in this MD&A obtained from any third party sources.

References in this MD&A to "**Company**" or "**TMS**" mean Targeted Microwave Solutions Inc., together with its subsidiaries, unless the context otherwise requires. Unless otherwise indicated, all amounts in this MD&A are in Canadian dollars.

FORWARD-LOOKING INFORMATION

Except for statements of historical fact contained herein, the information presented in this MD&A constitutes "forward-looking statements" or "information" (collectively "**statements**"). These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements". Such forward-looking statements include, but are not limited to, those with respect to: the benefits of and development and commercialization, if at all, of TMS's microwave technology; financial information regarding TMS and/or its availability and use of funds; demand for coal and electricity generation and other industrial aggregates, including clay, calcium carbonate and biomass; the status of environmental and other regulation; the timing, completion or benefits of any joint venture or similar arrangement; and other factors and events described herein.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual plans, results, performance or achievements of TMS to be materially different from any future plans, results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others: the benefits of the TMS technology failing to materialize as expected or a commercial market for such technology failing to develop; actual operating costs, total cash, transaction costs, administrative costs and other costs of TMS differing materially from those anticipated; risks related to international operations; risks relating to partnership or joint venture operations; failure of the Virginia Facility to perform or to continue to



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perform as expected; changes in environmental regulations or other regulations affecting the markets in which we operate; technological risks related to the Virginia Facility or the TMS technology generally; and other factors discussed under the heading "Risk Factors" herein. Although TMS has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward -looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and TMS undertakes no obligation to update any forward-looking statement if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law.

FINANCIAL PRESENTATION

The Company was incorporated on April 10, 2015, and has a fiscal year end of December 31.

The functional currency of the Company is the U.S. dollar. The presentation currency of the Company is the Canadian dollar. The comparative period figures have a presentation currency of Canadian dollars and a functional currency of Canadian dollars. The change in functional currency is primarily a result of the construction of the Virginia Facility (defined below), and the corresponding investment in TMS's microwave business at such facility. The comparative period figures have been prepared in accordance with IFRS.

TMS was incorporated for the purposes of, and in connection with, the Arrangement (defined below). Following the completion of the Arrangement, TMS commenced operations effective May 21, 2015. The results of TMS's wholly-owned subsidiary Targeted Microwave Solutions (USA) Inc. have been included in the Financial Statements. All amounts reported therein are in Canadian dollars. The Financial Statements present TMS's historic financial position, results of operations and cash flows for the assets transferred pursuant to the Arrangement for the prior year comparative periods on a "carve-out" basis as if they had been operated under a stand-alone entity subject to Microcoal's (defined below) control. The carve-out financial statements have been prepared by management in accordance with IFRS. The carve-out statements do not contain a comparable share capital structure, as capital invested in the operations represented by the carve-out statements are defined as a net investment from Microcoal. Accordingly, share capital and per share amount comparisons cannot be made.

COMPANY OVERVIEW

TMS was incorporated on April 10, 2015 under the *Business Corporations Act* (British Columbia). TMS is a reporting issuer in the provinces of Alberta, British Columbia and Ontario, and its common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "TMS".

From the date of incorporation until the effective time of the Arrangement, TMS did not carry on any business. The principal business of TMS following completion of the Arrangement has been the research, development and commercialization of a microwave dehydration process being designed to allow coal fired utilities to, *inter alia*, reduce polluting emissions and unlock the energy potential of high moisture, low-rank sub-bituminous coal. The desired result is an upgraded coal product that is environmentally superior and less expensive than energy-comparable thermal coals available in the international market. TMS is focused on researching, developing and commercializing its technology to become a global green technology leader in upgrading the energy content of low-polluting, high moisture, low-rank coal.

TMS is also researching the drying potential of its microwave application technology to dry, process and physically alter various natural mineral aggregates used in global industries, such as clays used by kitty litter manufacturers. The opportunities in this case represent the potential to replace higher polluting, higher operating and capital costs traditional natural gas or oil fired processes.



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Further, TMS will be also exploring the expansion of its technology to unlock the clean energy potential of other high - carbon content materials that attract and retain moisture, including pulp, industrial waste and renewable biomass. In pursuing a multi-pronged approach, TMS aims to create opportunities for future growth, diversify its risk and further reinforce its aim to become a leader in the green technology sector.

Additional information relating to TMS is available on SEDAR at www.sedar.com.

PLAN OF ARRANGEMENT

Effective May 21, 2015, La Jolla Capital Inc. (formerly "MicroCoal Technologies Inc.") ("**MicroCoal**") completed a court approved plan of arrangement under the *Canada Business Corporations Act* with its securityholders and TMS. TMS was a wholly-owned subsidiary of MicroCoal prior to the effective time of the Arrangement, which was incorporated for the purposes of, and in connection with, the Arrangement. Pursuant to the Arrangement, MicroCoal caused substantially all of its business, operations, assets and liabilities to be transferred to TMS, following which, among other things: (i) each holder of MicroCoal's common shares as at the effective time of the Arrangement received one (1) common share of TMS for each common share so held; (ii) holders of MicroCoal warrants were entitled to warrants of TMS in place of their MicroCoal warrants; (iii) TMS had substantially all of the same assets, liabilities, directors, management and consultants as MicroCoal previously had; and (iv) TMS commenced pursuing the business previously carried on by MicroCoal. The Company did not consider the Arrangement to be a "business combination" as defined under IFRS 3, as shareholders immediately prior to and immediately after the effective time of the Arrangement were the same. A continuation of net book value accounting was used in connection with the transfer the business, operations, assets and liabilities of MicroCoal to TMS. Following the Arrangement, TMS's common shares were listed on the CSE effective May 22, 2015 under the stock symbol "TMS". For further details of the Arrangement, please see the management information circular of MicroCoal dated April 15, 2015 filed on SEDAR at www.sedar.com.

CERTAIN DEVELOPMENTS DURING THE PERIOD

In August 2015, a wholly-owned United States subsidiary of the Company entered into an approximate 10-year lease in respect of a 7,500 square-foot building located in the Avenel Business Park, Gaithersburg, Maryland. The space is intended to be used in connection with the Company's research and development activities. Annual rent under the lease is approximately US\$90,000, subject to a 3% escalation per year, following a six-month rent-free period. TMS's subsidiary will also be responsible for certain operating, maintenance and repair costs in respect of the building, which have been initially estimated at approximately US\$42,000 per year. TMS has agreed to guarantee the obligations of its subsidiary under the lease.

OPERATING PERFORMANCE

For the three months ended September 30, 2015, TMS had a net loss of \$1,361,438, compared to a net loss of \$585,582 for the three months ended September 30, 2014. Excluding non-cash items of a credit to the fair value change in derivative liability of \$469,979, and share-based compensation expense of \$816,572, and a depreciation charge of \$149,483, TMSI incurred \$865,362 for operating expenses for the three months ended September 30, 2015, compared to \$575,238 in the comparative interim period September 30, 2014. The increase in net loss in the three month period ended September 30, 2015 over the comparative period was primarily related to significantly higher staffing levels at the Virginia Facility during the period over the comparable period and a modest increase in general and administrative costs associated with the development and operation of the Virginia Facility, partially offset by a decrease in professional fees and travel and promotional expense.

For the nine months ended September 30, 2015, TMS had a net loss of \$5,128,670. Excluding non-cash items for the fair value change in derivative liability, of \$1,266,624 share-based compensation of \$1,563,022 and depreciation of \$149,483, TMS incurred \$2,149,541 for operating expenses for the nine months ended September 30, 2015. For the nine months ended September 30, 2014, TMS had a net loss of \$1,028,146. Excluding non-cash items for share-based



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compensation of \$40,048, TMS incurred \$988,098 for operating expenses for the nine months ended September 30, 2014. The increase in net loss in the nine month period ended September 30, 2015 over the comparative periods was primarily related to significantly higher staffing levels at the Virginia Facility during the period over the comparable period, an increase in general and administrative costs associated with the development and operation of the Virginia Facility and one-time costs associated with the Arrangement, including professional fees.

During the nine months ended September 30, 2015, a primary focus for TMS was the completion of construction and commissioning of the Virginia Facility and thereafter the initial testing of various industrial aggregates. As a result of this focus, capital spending on the Virginia Facility for the three months ended September 30, 2015 was \$472,672, compared to \$nil for the three months ended September 30, 2014. Capital spending on the Virginia Facility was \$4,210,050 for the nine months ended September 30, 2015, compared to \$nil for the comparative period. Construction of the Virginia Facility commenced in late 2014. Although commissioning of the Virginia Facility was completed late in the second quarter of 2015, final contract construction costs were recognized in the third quarter ended September 30, 2015, being the period in which TMS paid such costs in full. TMS did not experience any material deviations from management's budgeted project costs for the Virginia Facility. Following the completion of construction, TMS began depreciating the capital costs of the Virginia Facility over the remaining lease term for leasehold improvements, with estimated asset useful lives of 3 to 10 years for plant and equipment. As a result, during the current quarter, TMS recorded \$149,483 for depreciation of plant and equipment, compared to \$nil in the comparable quarter last year.

Commercialization spending during the current quarter was \$422,262, compared to \$310,495 for the three months ended September 30, 2014. For the nine months ended September 30, 2015, commercialization costs were \$1,018,652 compared to \$606,294 in the corresponding period. The majority of commercialization costs in each period consisted primarily of facility related costs, compensation for technical staff and patent filing and maintenance fees. The increase in commercialization expenses for the nine months ended September 30, 2015 compared to the comparative period last year was principally due to the significant increase in TMS's research, development and related commercialization activities associated with the commissioned Virginia Facility, which were funded from cash on hand. TMS's commercialization activities are expected to be the primary focus of the Company's cash resources for the balance of the fiscal year, together with any capital and related costs incurred in connection with variations to the design of the Virginia Facility.

During the third quarter of 2015, TMS incurred professional fees of \$134,361, compared to professional fees of \$187,801 for the three months ended September 30, 2014. The increased professional fees incurred in the third quarter of 2014 over the current period was primarily related to additional professional fees incurred in connection with the Arrangement. Professional fees were \$380,844 for the nine month period ended September 30, 2015, compared to \$241,643 in the same period last year.

During the third quarter ended September 30, 2015, TMS continued to benefit from a significant increase in the strength of the U.S. dollar relative to the Canadian dollar. Indicative rates moved from US\$1.00 to C\$1.1209 on September 30, 2014 to US\$1.00 to C\$1.3329 on September 30, 2015. The increase in the strength of the U.S. dollar relative to the Canadian dollar has, in real terms, assisted TMS reduce its general and administration costs in Canada, as a majority of TMS's funds were denominated in U.S. dollars. During this quarter, TMS has attempted to continue to minimize its general and administrative costs where possible to focus its resources on and commercialization activities.

Consultant, management and director fees were \$562,483 in the current fiscal quarter, compared to \$236,837 in the fiscal quarter ended September 30, 2014, and were \$1,459,071 for the nine months ended September 30, 2015, compared to \$543,483 for the same period in the last fiscal year. The increase in such fees was related primarily to the more than doubling of TMS's staff since the quarter ended September 30, 2014, from five staff in such quarter, to twelve staff in the current quarter, as well as significantly increased levels of activity related to the construction of the Virginia Plant.

In the first quarter of 2015, TMS repaid the Chairman of the Board of Directors \$1,267,803 (US\$1,125,000) plus interest for loans advanced by the Chairman to the Company. The proceeds from such loans were used primarily to help fund the planning, design and initial phase construction of the Virginia Facility, as well as general and



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administrative costs. The terms of the loans provided the Chairman, in his discretion, an option to convert the outstanding principal amount of the loans plus accrued interest into common shares of TMS. As the option was not exercised, upon repayment of the loan, TMS recorded a \$530,099 reduction in its derivative liability account in the first quarter of 2015.

As at the date hereof, TMS's financial position, financial performance and cash flows are not impacted by seasonality. TMS is not aware of any trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on its business, other than as set forth under "Risk Factors" below.

SUMMARY OF QUARTERLY RESULTS:

	Third quarter ended September 30, 2015	Second quarter ended June 30, 2015	First quarter ended March 31, 2015	Fourth quarter ended December 31, 2014	Third quarter ended September 30, 2014
Profit (loss) Per Share	\$ (0.01)	\$ (0.02)	\$ n/a*	\$ n/a*	\$ n/a*
Net Loss	\$ (1,361,438)	\$ (2,704,308)	\$ (396,791)	\$ (39,477)	\$ nil
Total Assets	\$ 9,153,826	\$ 10,390,742	\$ 10,995,835	\$ 810,675	\$ 200,473

*The comparative period financial statements did not contain a share capital structure, therefore earnings per share amounts have not been calculated.

The increase in total assets in the quarter ended March 31, 2015 over the previous quarter was related to an increase in cash related to the completion of the private placement financing with SOHL in January 2015 (discussed below), and the substantial completion of the Virginia Facility, resulting in an increase of \$3,737,288 in property and equipment in the period. The decrease in net loss in the current quarter over the previous quarter was primarily related to the booking of the fair value change in derivative liability of \$469,979 to recording the fair value of warrants issued by the Company in connection with the Arrangement. The decrease in total assets in the current quarter over the previous quarter was primarily the result of a reduction in cash used to fund operating costs during the period.

LIQUIDITY AND CAPITAL

As at September 30, 2015, the Company had cash on hand of \$4,340,297 and working capital (excluding derivative liability) of \$3,643,168. As at the date hereof, TMS maintains all of its funds in cash deposits. TMS's non-capital cash requirements are currently estimated by management to be approximately \$850,000 per fiscal quarter, although management expects TMS's cash requirements to slightly increase in the near-term as TMS establishes a larger research and development center in the greater Washington D.C./Maryland area.

In January 2015, TMS completed a private placement financing with SOHL, Inc. ("SOHL") for \$11,857,000 (US\$10,000,000). Concurrent with the completion of the financing, TMS entered into a joint venture with Cadila Pharmaceuticals Limited to carry out activities in India. The joint venture contemplates the establishment and operation of a testing and demonstration facility in India for the TMS technology, and the marketing and promotion of the technology with the goal of developing one or more commercial-scale facilities in India.

As at September 30, 2015, TMS did not have any long-term liabilities.

From time to time, TMS may have capital requirements in excess of its available cash resources. In the event that the Company's business or operational plans change, its assumptions change or prove inaccurate, or its capital resources prove to be insufficient to fund operations, the Company may be required to seek additional financing. As at the date hereof, the Company expects such additional capital resources will be generated from equity financings and/or loans from related parties. Although the Company has been successful in raising funds through such sources in the past, there can be no assurance that additional financing will be available on terms acceptable to the Company in the future, or at all.



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OFF-BALANCE SHEET ARRANGEMENTS

As at the date hereof, 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. TMS has determined that payments made to key management personnel during the nine months ended September 30, 2015 consist of payments made to the Chief Executive Officer and Chief Financial Officer. These payments represent monthly consulting fees for services, share- or option-based awards under TMS's long-term incentive plan and discretionary bonuses. The value of share- and option-based awards is based upon the prevailing market price of the underlying TMS common shares as near as practicable to the date of grant. The foregoing remuneration is summarized in the table below:

REMUNERATION	NINE MONTHS ENDED SEPTEMBER 30, 2015
Consulting fees	\$ 393,504
Share- and option-based awards (including discretionary bonus)	\$ 640,021
TOTAL REMUNERATION	\$ 1,033,525

RISK FACTORS

The following risk factors, as well as risks not currently known to TMS, could materially adversely affect TMS's future business, operations and financial condition and could cause them to differ materially from estimates described in forward-looking statements relating to TMS.

Limited Operating History

TMS was incorporated in April 2015 and has no history of earnings or operations. Its lack of operating history or revenue precludes management from forecasting operating results based on historical results. TMS's proposed business strategies incorporate its senior management's current best analysis of potential markets, opportunities and difficulties that it faces. No assurance can be given that the underlying assumptions accurately reflect current trends in its industry, terms of possible project investments, that it will successfully develop any products, its potential customers' reactions to any such products or that such products will be successful. Its business strategies may and likely will change substantially from time to time as TMS's senior management reassesses its opportunities and reallocates its resources, and any such strategies may be changed or abandoned at any time. If TMS is unable to develop or implement these strategies through its projects and its technology, it may never achieve profitability, which could impair TMS's ability to continue as a going concern. Even if TMS does achieve profitability, it may not be sustainable, and management cannot predict the level of such profitability.

Financing Risks

TMS has no history of earnings, and, due to the nature of its business, there can be no assurance that TMS will be profitable. TMS has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The primary present source of funds available to TMS is expected to be cash on hand. Even if the results of the development and/or commercialization of its technology are encouraging, TMS may not have sufficient funds to conduct such further testing and development as may be necessary to successfully commercialize its technology. While TMS may generate additional working capital through further equity offerings or related party loans, there is no assurance that any such funds will be available on terms acceptable to TMS, or at all. If available, future equity financing may result in substantial dilution to shareholders. At present, it is impossible to determine with any certainty what amounts of additional funds, if any, may be required.



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Shareholder Influence

SOHL has control of a significant portion of TMS's outstanding common shares, representing, as at the date hereof, approximately 44.04% of the issued and outstanding TMS common shares. SOHL may be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of TMS or its assets. This concentration of ownership may make it more difficult for other shareholders to effect substantial changes in TMS, may have the effect of delaying, preventing or expediting, as the case may be, a change in control of TMS and may adversely affect the market price of the TMS common shares. Further, the interests of SOHL may not necessarily be aligned in all respects with TMS's other shareholders. In addition, SOHL has certain contractual rights under its private placement financing, including to designate one individual to be appointed or nominated for election as a director of TMS for so long as it holds at least 5% of the then issued and outstanding TMS common shares.

Technical Issues and Delays

As TMS develops, refines and implements its technology, it may have to solve technical, manufacturing, construction and/or equipment-related issues. Because TMS's technology is under development, some of these issues may be unanticipated. If TMS must revise existing processes, hire or retain additional staff or contractors or order specialized equipment to address a particular issue, it may not meet its projected timetables for further developing or commercializing its technology. Such delays may interfere with projected construction or operating schedules and delay receipt of, or result in the loss of, revenues from operations.

Commercial Viability of Processed Industrial Materials

TMS does not yet know whether industrial materials processed using its technology can be produced and sold on a commercial basis in a cost effective manner. Because TMS has not established any full scale commercial operation, it has not yet fully developed an efficient cost structure or revenue model. TMS is currently using the estimates for anticipated pricing and costs, as well as the qualities of industrial materials processed in the testing facility (including at the Virginia Facility) and laboratory setting, to make such estimates. TMS may experience technical problems that could make the processed industrial materials more expensive than anticipated. Failure to address both known and unforeseen technical challenges may materially and adversely affect TMS's business, results of operations and financial condition.

Negative Results of Technology Testing and Development

TMS has been evaluating the attributes of industrial materials processed using its technology on a laboratory scale and, since completion of the Virginia Facility, on a limited size commercial scale. TMS does not currently know if or to what extent these evaluations will result in positive findings. Furthermore, even if current evaluations indicate that industrial materials processed using its technology performs to design specifications, TMS does not know if later tests or larger scale processing will confirm these current results or that the processed industrial materials will be readily accepted by the market. The process of introducing its technology into the market may be further delayed if these tests do not produce the expected results or if potential customers conduct their own tests of the processed industrial materials to determine whether it meets their individual requirements and the results are not acceptable. TMS has historically conducted a number of tests of the technology using a variety of feed stocks in its current and former facilities. The ability to use feed stocks from other locations in the United States or overseas will depend on the results of future tests on different types of industrial materials. If these tests limit the range of viable feed stocks for use in TMS's process, site locations for future plants may be limited and the commercial appeal of the process may be less than anticipated. If this continuing process of evaluation and market introduction results in negative findings concerning the technology, it could have a material adverse effect on the marketability of the technology and on TMS's financial condition, results of operations and future prospects.

There is no assurance that the Virginia Facility will perform as expected, or that further additional costs will not be required to help the Virginia Facility perform, or continue to perform, as expected.



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Commercial Acceptance

While TMS believes that a commercial market will develop for the industrial materials processed using its technology, including coal, clay, calcium, carbonate and biomass, TMS may face the following risks, among others:

- limited pricing information;
- changes in the price differential between unprocessed and processed industrial materials;
- unknown costs and methods of transportation to bring processed industrial materials to market;
- alternative industrial materials available at a lower price;
- the cost and availability of competing technologies;
- failure of governments to implement and enforce new environmental standards; and
- in the case of coal, decline in energy prices which could make processed coal less price competitive.

If TMS is unable to develop markets for its processed industrial materials, its ability to generate revenues and profits will be negatively impacted.

Construction of Commercial Plants

TMS's future success depends, in part, on its ability to secure partners to locate, develop and construct future commercial plants and generate profits therefrom. A number of different variables, risks and uncertainties affect such commercialization, including:

- the complex, lengthy and costly regulatory permit and approval process;
- local opposition to development of projects, which can increase costs and delay timelines;
- increases in construction costs, such as for contractors, workers and raw materials;
- transportation costs and availability of transportation;
- in the case of coal, the inability to acquire adequate amounts of low-rank feedstock coal at forecasted prices to meet projected goals;
- engineering, operational and technical difficulties; and
- possible price fluctuations of industrial materials which could impact profitability.

Management of Growth

TMS may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of TMS to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of TMS to successfully deal with this growth could have a material adverse impact on its business, operations and prospects.



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Joint Ventures

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on TMS's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on TMS's future cash flows, earnings, results of operations and financial condition: (i) failure to establish joint ventures pursuant to, and consistent with, the terms of joint venture agreements; (ii) disagreement with joint venture partners on how to develop and commercialize TMS's technology effectively; (iii) inability of joint venture partners to meet their obligations under the joint venture or to third parties; (iv) inability of TMS to meet its obligations under the joint venture, which could result in restrictions on or loss of its ability to conduct operations in the jurisdictions covered by such joint venture; and (v) litigation or arbitration between joint venture partners regarding joint venture matters.

Termination of any of TMS's joint ventures or other key business relationships may require it to seek another collaborative relationship in that territory. There can be no assurance that a suitable alternative third party would be identified and, even if identified, that the terms of any new relationship would be commercially acceptable to TMS or that a definitive agreement with such third party will be entered into.

Relationships with Strategic Partners

TMS will depend, in part, on its relationships with its strategic partners (including its joint venture partners) to accelerate its expansion, fund development efforts, better understand market practices and regulatory issues and more effectively handle challenges that may arise. TMS's future success will depend, in part, on these relationships and any other strategic relationships that it may enter into. There can be no assurance that TMS will satisfy the conditions required to maintain these relationships under existing agreements or that it can prevent the termination of these agreements. There can also be no assurance that TMS will be able to enter into relationships with future strategic partners on acceptable terms. The termination of any relationship with an existing strategic partner or the inability to establish additional strategic relationships may limit TMS's ability to successfully market and commercialize its technology and may have a material adverse effect on its business and financial condition.

Foreign Operations

Political and related legal and economic uncertainty may exist in countries where TMS may operate, including China, India and Indonesia. TMS's activities may be adversely affected by political instability and changes to government regulation. Other risks of foreign operations include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries, foreign taxation, price controls, currency controls, delays in obtaining or the inability to obtain necessary governmental permits, opposition to coal-based electricity production from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, and increased financing costs. These risks may limit or disrupt TMS's projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

In addition, certain countries in which TMS may operate have historically had management, financial control and reporting and other business practices which may differ significantly from the standards governing Canadian reporting issuers. As a result, TMS may have difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices consistent with accepted practices for Canadian reporting issuers.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on TMS's operations or profitability.



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Foreign Subsidiaries and Repatriation of Earnings

TMS may conduct its operations through foreign subsidiaries, joint ventures or divisions, and some or a large portion of its assets may be held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict TMS's ability to fund its operations efficiently. Any such limitations, or the perception of such limitations, could have an adverse impact on TMS's valuation and share price. There is no assurance that China, India, Indonesia or any other foreign country in which TMS may operate in the future will not impose or strengthen restrictions on the repatriation of earnings to foreign entities.

Technology and Protection of Intellectual Property

Building and maintaining a competitive position will require TMS to establish a technological lead by developing new features which meet market needs. Linked to maintaining a technological lead is the successful protection of intellectual property. TMS's ability to compete and grow its business could suffer if these rights are not adequately protected. To establish and protect its intellectual property rights, TMS will rely on a combination of copyright, trade secret and trademark laws, patents, confidentiality procedures, contractual provisions, and other similar measures to protect its proprietary information, all of which offer only limited protection.

There can be no assurance that TMS's patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to TMS's proprietary technology.

As patents or patent applications do not cover a significant part of TMS's intellectual property, it will seek to protect this proprietary intellectual property in part by confidentiality agreements with its customers, strategic partners, distributors, contractors and employees. These agreements afford limited protection and may not provide TMS with adequate remedies for any breach or prevent other persons or institutions from asserting rights to intellectual property arising out of these relationships.

Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which TMS conducts, directly or through its joint venture partners, research and development activities or will market any future products. The steps TMS has or will take to protect its intellectual property may not prevent the misappropriation of proprietary rights or the reverse engineering of its technology. Moreover, others may independently develop technologies that are competitive with or superior to those of TMS or that infringe its intellectual property. The enforcement of TMS's intellectual property rights may depend on it taking legal action against such infringing parties, and TMS cannot be sure that these actions will be successful, even when its rights have been infringed. Enforcing TMS's rights to its technology could be costly, time-consuming and distracting. Any significant failure or inability to adequately protect TMS's proprietary assets will harm its business and reduce its ability to compete.

In addition, courts outside of Canada may be less willing than Canadian courts to protect trade secrets or other intellectual property rights. If TMS's competitors independently develop equivalent knowledge, methods and know-how, TMS may not be able to assert its trade secrets against them and its business could be harmed.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

Invalidation of Patents

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by or licenced to TMS based on, among other things:

- subsequently discovered prior art;
- lack of entitlement to the priority of an earlier, related application; or
- failure to comply with the written description, best mode, enablement or other applicable requirements.

Patent law in certain jurisdictions requires that a patent must disclose the "best mode" of creating and using the invention covered by a patent. If the inventor of a patent knows of a better way, or "best mode," to create the invention and fails to disclose it, that failure could result in the loss of patent rights. Any decisions of TMS to protect certain elements of its proprietary technologies as trade secrets and to not disclose such technologies in patent applications, may serve as a basis for third parties to challenge and ultimately invalidate certain of its related patents based on a failure to disclose the best mode of creating and using the invention claimed in the applicable patent. If a third party is successful in challenging the validity of TMS's patents, TMS's inability to enforce its intellectual property rights could seriously harm its business

Intellectual Property Infringement

TMS's technology may be the subject of claims of intellectual property infringement in the future. TMS's technology may not be able to withstand any third party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, could divert resources and attention and could require TMS to obtain a licence to use the intellectual property of third parties. TMS may be unable to obtain licences from these third parties on favourable terms, if at all. Even if a licence is available, TMS may have to pay substantial royalties to obtain it. If TMS cannot defend such claims or obtain necessary licences on reasonable terms, TMS may be precluded from offering most or all of its technology and its business and results of operations will be adversely affected.

Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of TMS. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on TMS in the future for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, TMS expects to generally rely on recognized designers and development contractors from which TMS expects to, in the first instance, seek indemnities. TMS intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making TMS's operations more expensive.

In addition, these laws and regulations may require obtaining a permit before construction and/or operations at a facility commence. All aspects, from design to construction and, ultimately, operation, may be highly regulated. At various stages, environmental impact assessment reports or feasibility studies may be required to be presented to and approved by various levels of government and may first require community or stakeholder engagement. TMS may be required to expend significant resources to comply with such requirements or may experience significant delays in completing projects while it seeks to comply with these requirements.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

Dependence on Key Management Personnel, Employees and Consultants

The success of TMS is and/or will be dependent on a relatively small number of key management personnel and consultants. The loss of the services of one or more of such key management personnel could have a material adverse effect on TMS. TMS's ability to manage its research and development activities and commercialize its technology, and hence its success, will depend in large part on the efforts of these individuals. TMS faces intense competition for qualified personnel, and there can be no assurance that TMS will be able to attract and retain such personnel.

Anti-bribery and Anti-corruption

TMS's activities will be subject to a number of laws that prohibit various forms of corruption, including local laws that prohibit both commercial and official bribery and anti-bribery laws that have a global reach, including the *Corruption of Foreign Public Officials Act* (Canada) (the "**CFPOA**"). The increasing number and severity of enforcement actions in recent years present particular risks with respect to TMS's business activities, to the degree that any employee or other person acting on TMS's behalf might offer, authorize, or make an improper payment to a foreign government official, party official, candidate for political office, political party, employee of a foreign state-owned or state-controlled enterprise, or an employee of a public international organization.

Certain countries in which TMS operates or may in the future operate present heightened risks from an anti-corruption perspective. TMS has entered into joint venture agreements with third parties and may have limited ability to control the activities of its joint venture partners.

TMS intends to develop internal controls and procedures intended to address compliance and business integrity issues, and TMS intends to advise its employees on anti-bribery compliance on a global basis. However, despite careful establishment and implementation there can be no assurance that these or other anti-bribery, anti-fraud or anti-corruption policies and procedures are or will be sufficient to protect against fraudulent and/or corrupt activity. In particular, TMS, in spite of its best efforts, may not always be able to prevent or detect corrupt or unethical practices by employees or third parties, such as sub-contractors or joint venture partners, which may result in reputational damage, civil and/or criminal liability (under the CFPOA or any other relevant compliance, anti-bribery, anti-fraud or anti-corruption laws) being imposed on TMS or its officers or directors, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Capital Cost Estimates

Capital and operating cost estimates made in respect of TMS's current and future research and development and commercial projects may not prove to be accurate. Capital and operating costs are estimated based on management's current expectations. Any of the following events, among the other events and uncertainties described herein, could affect the ultimate accuracy of such estimates: delay in construction schedules, unanticipated transportation costs; cost and availability of financing; the accuracy of major equipment and construction cost estimates; availability and cost of skilled personnel; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, and permitting); and prices for raw materials.

Increased Demand for Services and Equipment

If personnel, services or equipment cannot be obtained in a timely manner due to inadequate availability, this may increase potential scheduling difficulties and costs due to the need to coordinate the availability of personnel, services or equipment, any of which could materially increase project construction costs or result in project delays or both. Any such material increase in costs would adversely affect TMS's results of operations and financial conditions.

Competition

The market for TMS's technology may become highly competitive on a global basis, with a number of competitors having significantly greater resources and/or gaining more market share than it. Some of TMS's



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

competitors may have greater financial and/or technical resources and more widely known brand names, which may enable them to adapt more quickly to changes in TMS's industry or devote greater resources to the development and sale of new technologies and products. TMS's ability to compete is dependent on the success of its technology, which may take time to develop and be accepted by the market. To improve its competitive position, TMS may need to make significant ongoing investments in research and development, intellectual property protection, marketing, sales, and service and support. TMS may have insufficient resources to continue to make such investments or to secure a competitive position. In addition, TMS or its technologies may also compete indirectly with companies or technologies that provide alternatives to fossil fuels or other methods of reducing emissions from coal-fired powerplants.

Currency Fluctuations

TMS maintains accounts in United States and Canadian dollars. TMS expects to conduct its business using various currencies depending on the location of the operations in question and the payment obligations involved. Accordingly, the results of TMS's operations are subject to currency exchange risks, particularly to changes in the exchange rate between the United States and Canadian dollars. To date, TMS has not engaged in any formal hedging program to mitigate these risks. The fluctuations in currency exchange rates, particularly between the United States and Canadian dollars, may significantly impact TMS's financial position and results of operations in the future.

Natural and Human Caused Disasters

TMS's current and future operations may be subject to adverse natural or human caused events such as fires, severe weather conditions, floods, earthquake activity, explosions, sabotage or terrorism. These events could damage or destroy TMS's physical facilities, and similar events could also affect the facilities of TMS's suppliers or customers. Any such damage or destruction could adversely affect TMS's financial results.

Litigation

TMS may from time to time become party to claims and litigation proceedings that arise in the course of business. Such matters are subject to many uncertainties, and TMS cannot predict with assurances the outcomes and ultimate financial impacts of them. There can be no guarantees that actions that may be brought against TMS in the future will be resolved in its favour or that any insurance TMS carries will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to TMS.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of TMS may also serve from time to time as directors and/or officers of other companies, and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Additionally, Dr. Modi serves as a director of SOHL, which may have different interests than TMS with respect to any of TMS's operations in India. TMS expects that any decision made by any of such directors and officers involving TMS will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of TMS and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in applicable corporate law.

Market Price and Listing of Common Shares

An investment in TMS's securities is highly speculative. Securities of companies involved in the research and development or clean energy industries have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of TMS's common shares may also be significantly affected by changes in commodity prices, particularly the price of coal, proposed or enacted legislation or regulations or in TMS's financial condition or results of operations as reflected in its financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

There can be no assurance that an active trading market will be sustained for the TMS common shares. Shareholders may not be able to readily resell their TMS common shares, which may affect their pricing in the secondary market. There is no assurance that TMS will maintain its listing on the CSE or any other exchange or quotation service. If an active or liquid market for the TMS common shares fails to develop or be sustained, the price at which the TMS common shares trade may be adversely affected.

Regulatory Risks

TMS's current and anticipated future operations are or will be subject to extensive general and industry-specific federal, state, provincial, municipal and other local laws and regulations, including those governing utilities, exports, taxes, employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. TMS or its projects may be subject to the laws of Canada, the United States, Indonesia, China and India, among others. TMS will be required to obtain approvals, permits and licences for its operations, which may impose conditions that must be complied with. If TMS is unable to extend or renew, or is delayed in extending or renewing, a material approval permit or licence, its operations or financial condition could be adversely affected. There is no assurance that these laws, regulations or government policies, or the administrative interpretation or enforcement of existing laws, regulations and government policies, will not change in the future in a manner that may require TMS to incur significant capital expenditures or could adversely affect its operations or financial condition. Failure to comply with applicable laws or regulations, including approvals, permits and licences and new laws and regulations, could result in fines, penalties or enforcement actions, including orders suspending or curtailing TMS's operations or requiring corrective measures or remedial actions.

Tax Exposures

In the normal course of business, TMS will take various tax filing positions without the assurance that tax authorities will accept and not challenge such positions. In addition, TMS is subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. TMS maintains reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities. In addition, TMS has agreed to indemnify MicroCoal in respect of certain tax positions taken in connection with the Arrangement and in the course of the MicroCoal business prior to the effective time of the Arrangement.

Availability and Cost of Low-Rank Coal

TMS's technology may have the greatest competitive advantage in situations where there is a ready source of low-rank, low-cost coal to utilize as a feedstock. TMS may seek to locate projects in areas where low-cost coal is available or where it can be moved to a project site at a reasonable cost with minimal transportation issues. The future success of TMS's projects and those of its customers will depend in part on the supply of low-rank coal. If a source of low-rank coal for these projects cannot be obtained effectively or if such source faces supply disruptions or shuts down, TMS's business and operating results could be seriously adversely affected.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

Changes in Laws and Regulations

A significant factor in expanding the potential United States market for coal processed using TMS's technology is the numerous federal, state and local environmental regulations, which provide various air emission requirements for power-generating facilities and industrial coal users. The use of clean-burning fuel technologies may help utility companies comply with the air emission regulations and limitations. However, TMS is unable to predict future regulatory changes and their impact on the demand for its technology. While more stringent laws and regulations, including mercury emission standards, limits on carbon dioxide, sulfur dioxide and nitrogen oxide emissions, may increase demand for TMS's technology, such regulations may result in reduced coal use and increased reliance on alternative fuel sources. Similarly, amendments to the numerous federal and state environmental regulations that have the effect of relaxing emission limitations could have a material adverse effect on TMS's prospects.

Uninsurable Risks

TMS's business may be subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to TMS's or its customers' facilities, personal injury or death, environmental damage to its projects, delays in operations, monetary losses and possible legal liability.

Although TMS has obtained such insurance as its senior management determines is commercially reasonable for a company of its size, stage of development and industry, there can be no assurance that TMS will not incur losses beyond the limits of, or outside the coverage of, any such insurance. From time to time, various types of insurance for companies in the research and development or utilities industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. In addition, there can be no assurance that in the future TMS will be able to maintain existing coverage or that premiums will not increase substantially.

Current Global Financial Conditions

The recent events in global financial markets have had a profound impact on the global economy. The volatility in global equities, commodities, foreign exchange, and a lack of market liquidity, may adversely affect the development or commercial viability of TMS's technologies. A global credit/liquidity crisis could also impact the cost and availability of financings and the price of the TMS common shares on any exchanges where the TMS common shares are traded.

FINANCIAL INSTRUMENTS

As at September 30, 2015, TMS's financial instruments consisted of cash, receivables, accounts payable and accrued liabilities. 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).



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

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 recorded at fairvalue 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 can 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'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.

The Company is not exposed to significant interest rate risk as the Company has no variable interest debt.

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 necessary funds through future equity financings, debt financings, asset sales, sales from commercial contracts and/or licensing or royalty arrangements, or a combination thereof. The Company currently has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned research, development and corporate activities, and anticipating investing and financing activities. Management and the Board of Directors of the Company are actively involved in the review, planning and approval of annual and quarterly budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further research and development of the Company's technology.

Credit Risk

Credit risk is the risk of loss associated with a financial instrument counterparty's failure to discharge its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. The Company reduces such risk by placing its cash with institutions of high credit worthiness (i.e. Schedule I Canadian banks or United States chartered banks). Accordingly, management believes that the Company's credit risk is minimal.

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 United States dollars. 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 at the current time. Management will continue to review future planned expenditures and currency risk.

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

	As at September 30, 2015 (\$USD) ⁽¹⁾
Cash	\$ 3,213,606
Accounts Payable and accrued liabilities	\$ Nil
	\$ 3,213,606

⁽¹⁾ Canadian to United States dollars exchange rates: (i) average rate for the period - 0.7637 and (ii) spot rate - 0.7493.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015**

OUTSTANDING SECURITIES DATA

As at November 27, 2015, TMS had the following outstanding securities:

SECURITY DESIGNATION	ISSUED AND OUTSTANDING (#)
Common Shares	179,500,076
Options	15,525,000
Warrants	32,913,886
Performance Share Units	4,000,000
Restricted Share Units	2,500,000

SUBSEQUENT EVENT

In October 2015, TMS announced that its common shares had commenced trading on the OTCQX Best Market® under the symbol TGTMF. The Company believes that OTCQX, the most prestigious market operated by OTC Markets Group, offers U.S. based industries convenient access to TMS while ensuring the highest regulatory standards. This provides improved access to the company's stock for U.S. based investors.