
LCTI Low Carbon Technologies International Inc.

A British Columbia Corporation

QUARTERLY INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO RULE 15c2-11(a)(5)

For the Quarter Ended: May 31, 2013

*THIS STATEMENT HAS NOT BEEN FILED WITH FINRA OR ANY OTHER REGULATORY AGENCY

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All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11(a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the *OTC Pink Basic Disclosure Guidelines for Providing Adequate Current Public Information* provided by OTC Markets Group, Inc..

PART A. GENERAL COMPANY INFORMATION

Item I. The exact name of the issuer and its predecessor (if any).

LCTI Low Carbon Technologies International Inc. (“LCTI” or “the Issuer”) was originally incorporated under the laws of the province of British Columbia on August 11, 2008 under the provisions of the British Columbia Business Corporations Act (“BCBCA”) under the name *EnCap Investments Inc.*

On February 10, 2012, the Issuer acquired Sustainable Energy Properties, Inc., a Wyoming Corporation (“SEP”) as its operating business by way of merging SEP with EnCap Acquisition Inc., a wholly owned subsidiary of the Issuer (“the Acquisition”). Pursuant to the agreement, the Issuer acquired shares of SEP from the shareholders of SEP in consideration for shares of the Issuer. The surviving entity SEP is the wholly owned operating subsidiary of the Issuer; there was no change to the legal structure of the Issuer. Upon completion of the transaction, on January 30, 2012, the name of the Issuer was changed to *LCTI Low Carbon Technologies International Inc.*

SEP was incorporated under the laws of the state of Wyoming on February 9, 2009 under the provisions of the Wyoming Business Corporations Act (“WBCA”). SEP’s head office is located at 4010 Bluebonnet Street, Suite 115, Houston, Texas, 77025; its registered office is located at 1821 Logan Avenue, Cheyenne, Wyoming, 82001.

Item II. The address of the issuer’s principal executive offices.

4010 Bluebonnet Street Ste 209, Houston, TX 77025 USA
Phone: (832) 267-8424
www.lctiinc.com

For IR contact please contact the issuer directly.

Item III. Security Information.

The Issuer trades on the pink sheets maintained by OTC Markets Group, Inc. under the symbol “LWCTF”.

The exact title and class of securities outstanding.

<u>Title</u>	<u>Class</u>	<u>CUSIP No.</u>	<u>Symbol</u>
Common Stock	n/a	50184H 10 5	LWCTF

Common Stock

The Articles of Incorporation of the Issuer authorize the issuance of an unlimited number of shares of common stock, without par value. As at the date of this Information Statement, 139,274,164 Issuer Shares are issued and outstanding, of which 62,844,096 Issuer Shares issued to certain insiders, officers and directors are subject to escrow pursuant to the Escrow Agreement entered into among the Issuer, the Transfer Agent and certain Issuer Shareholders.

Holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution, or winding up of the Company, the holders of common stock are entitled to share ratably in all of our assets which are legally available for distribution after payment of all debts and other liabilities and liquidation preference of any outstanding stock.

Holders of our common stock have no preemptive rights to purchase common stock. There are no conversion or redemption rights or sinking fund provisions with respect to the common stock. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

Preferred Stock

The Articles of Incorporation of the Issuer do not authorize the issuance of preferred stock.

Debt Securities

The Issuer has no outstanding debt securities.

Options/Warrants

Stock Option Plan

The Issuer has established a Stock Option Plan pursuant to which the board of directors of the Issuer may from time to time, in its discretion, and in accordance with the policies of the CNSX, grant to directors, officers, consultants, employees or management company employees of the Issuer, non-transferable options to purchase Issuer Shares, provided that the number of Issuer Shares reserved for issuance will not exceed 10% of the then issued and outstanding Issued Shares. Each option to purchase an Issuer Share will be exercisable for a period of up to five years from the date of grant. The number of Issuer Shares reserved for issuance to any individual director, officer, employee or management company employee of The Issuer, together with any Issuer Shares reserved for issuance pursuant to options granted to that person during the previous 12 months will not exceed 5% of the then issued and outstanding Issuer Shares, and the number of Issuer Shares reserved for issuance to any consultant or person employed in investor relations activities on behalf of the Issuer will not exceed 2% of the then issued and outstanding Issuer Shares, unless at the time of grant the CNSX permits otherwise. Options may be exercised the greater of 12 months after the completion of the acquisition of SEP and 90 days following cessation of the optionee's position with the Issuer, or 30 days for optionees employed in investor relations activities, or such lesser period as may be specified by the Board of the Issuer at the time of granting the option, provided that if the cessation of office, directorship, employment, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Subject to the discretion of the Board, options granted to an optionee under the Stock Option Plan shall fully vest on the date of grant. Options granted to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than ¼ of the options vesting in any 3 month period.

The exercise price of the shares covered by each option shall be determined by the Board. The exercise price will not be less than the price permitted by the CNSX or other regulatory body having jurisdiction.

The following table sets out the particulars of the stock options currently outstanding. Each option is exercisable to purchase one Issuer Share on the terms set out below:

Optionee	Number of Issuer Shares to be reserved under Option	Exercise Price per Resulting Issuer Share	Expiry Date
Michael Lege ⁽¹⁾	229,583	\$0.25	March 1, 2014
Charles Delacey ⁽¹⁾	75,000	\$0.25	March 1, 2014
Brandon Jarnagin ⁽¹⁾	154,585	\$0.25	March 1, 2014
Thomas Harrison	229,583	\$0.25	March 1, 2014
Eugene Allen	229,583	\$0.25	March 1, 2014
Steven Katirai	145,000	\$0.25	March 1, 2014
Jake Watkin	72,500	\$0.25	March 1, 2014
Chris Key	48,333	\$0.25	March 1, 2014
Gerry Metcalfe	48,333	\$0.25	March 1, 2014
Gary Bush	120,833	\$0.25	March 1, 2014
Gerardo Hubard	217,500	\$0.25	March 1, 2014
Gerardo Alvarez Herrera	145,000	\$0.25	March 1, 2014
Andrey Olhovich	145,000	\$0.25	March 1, 2014
Harley Sinclair ⁽²⁾	72,500	\$0.25	March 1, 2014
Total:	1,933,333		

Notes:

1. These options were granted to directors and officers of the Issuer.
2. These options were issued to former executive officers and directors of the Issuer.

Dividend Policy

The Company has not issued any dividends on the common stock to date, and does not intend to issue any dividends on the common stock in the near future. We currently intend to use all profits to further the growth and development of the Company.

The Company was incorporated in the province of British Columbia, Canada on on August 1, 2008 under the provisions of BCBCA .

The name and address of the transfer agent:

Equity Financial Trust
1185 West Georgia Street, Suite 1620, Vancouver, BC V6E 4E6
Phone: (604) 696-4230
Fax: (604) 696-9860
www.equityfinancialtrust.com

Equity Financial Trust is registered with the Securities and Exchange Commission as its appropriate regulatory authority ("ARA").

Item IV. Issuance History

There have been no events that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period.

Item V. Financial Statements.

The financial statements of the Issuer as and for May 31, 2013 were published separately on OTC Disclosure & News Service in a Quarterly Report filing dated July 15, 2013, and are incorporated herein by reference.

Item VI. The nature of the issuer's business

Business Overview

LCTI Low Carbon Technologies International Inc. ("LCTI") is a USA based clean-tech company focused on developing, owning and operating clean-tech projects and investments.

LCTI acquires operating businesses, clean-tech technologies & strategic real estate assets.

Technologies will be utilized in the development of clean-tech projects which are strategically located on LCTI real estate assets.

The technology licenses will be combined with the profitable operating businesses, clean-tech companies are created.

LCTI issues sub-licenses to third parties for each technology & in exchange for the technology licenses receives project equity and licensing royalties.

Over the next 12 months, LCTI also intends to carry out its business plan through the continued operation of its divisions and to seek partners and clients for potential developments of cleantech energy projects and to issue sublicenses to third parties for the LCTI portfolio of cleantech technologies.

The operations of LCTI are divided into the following three divisions:

1. ***Energy Efficiency***-This division is responsible for provide energy efficiency and related construction services.
2. ***Environmental*** –This division is responsible for the development of mitigation banks and environmental credits.
3. ***Technology Management***-This division is responsible for the acquisition and development of clean technologies.

Energy Efficiency

The company energy efficiency division provides a broad range of comprehensive energy solutions including designs and implementation of energy savings projects. The division performs an in-depth analysis of the property, designs an energy efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. To date, this division has generated all revenues of the Company.

Included in this division are the operations of Industrial Commercial Mechanical LLC, an affiliate LCTI company that provides a broad range of comprehensive energy solutions including designs and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management. The Company performs an in-depth analysis of the property, designs an energy efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. As of February 28, 2013, the Company owns 50% of Industrial Commercial Mechanical LLC.

ICM's core competencies include the following:

- Equipment Efficiency
- Equipment replacement, system component retrofit, energy recovery equipment installation
- Load Management
- Energy source switching, dual fuel capability, operating schedule modifications, converted energy storage
- Operational Efficiency
- Operating procedures modification, controls addition, control sequence refinement, maintenance practices alteration
- Process Productivity
- Production flow refinement, capacity bottlenecking reduction, production line speed increases, new process technology

Also included in this division are the operation of wholly owned subsidiary Teposolar Technologies Corp. ("Teposolar") and its subsidiary Commercial and Institutional Mechanical LLC ("C&I"). Acquired in April of 2011, Teposolar's wholly owned subsidiary C&I, provides energy efficiency and related mechanical and electrical construction services that focus on large scale institutional clients. C&I has successfully completed projects ranging from schools to hospitals and the Company intends to utilize the experience of C&I to expand into building integrated and commercial solar projects that offer savings in operating costs for commercial and industrial developments.

Environmental

Mitigation banking is the restoration, creation, enhancement, or preservation of a wetland, stream, or habitat conservation area which offsets expected adverse impacts to similar nearby ecosystems. The goal is to replace the exact function and value of the specific wetland habitats that would be adversely affected by a proposed development project. Upon replacement of function and value of the habitat, credits are issued and become available for purchase for the developer of a project that is adversely affecting wetland habitats.

East Bay Farms, LLC ("East Bay"), an affiliate LCTI company is in the process of receiving U.S. Army Corps of Engineers approval for a 1,900 acre wetland mitigation bank known as the Gulf Coastal Plains Wetland Mitigation Bank. When approved, this mitigation bank will provide mitigation credits that will compensate for adverse impacts to U.S. Coastal and wetland areas, resulting from developments and projects along the coastline from the Texas/Louisiana border to Surfside, Texas. East Bay expects final approval for the mitigation bank and to receive initial credit deposits in 2013. East Bay has already begun negotiating the deposits with several oil and gas firms. East Bay also has exclusive water rights to East Bay Bayou in Chambers County, Texas. LCTI currently owns 27.5% of East Bay.

LCTI also has plans for the development of a second mitigation bank site along the Texas Gulf coast. The site was secured in May of 2010 and consists of 3,500 acres of land located throughout the Bolivar Peninsula.

The Bolivar Peninsula is situated along The Gulf Intracoastal Waterway. The Gulf Intracoastal Waterway is a navigable inland waterway bordering the Gulf of Mexico and running approximately 1,050 miles from Carrabelle, Florida to Brownsville, Texas. The waterway provides a protected shipping channel designed primarily for barge transportation. An entrance to the Gulf Intracoastal Waterway is located at the southeastern point of the Bolivar Peninsula and runs the entire length of the peninsula. Thirty miles northwest of this entrance lies the Port of Houston. The Port of Houston is ranked first in the U.S. in foreign tonnage for 14 consecutive years and first in imports for 19 consecutive years.

Technology

Prestige Joint Venture

Within this division lies LCTI's 50% interest in Prestige Thermal Americas LLC. Prestige Thermal Americas LLC has secured the exclusive rights in the Americas to manufacture Advanced Conversion Technology Equipment to be employed in the Waste to Energy, Biomass to Energy and Biomass to Liquid Market Sectors. C6 Technologies Inc. ("C6") has granted GEI Green Energy Industries Pty Ltd ("GEI") rights to their patented waste to energy technology. GEI and C6 have provided a license to Prestige to manufacture the Prestige Thermal Energy Branded equipment. More importantly, the license provides for technology and manufacturing know how transfer, during the execution of projects in progress.

The technology employs an advanced form of gasification known as pyrolysis – an existing and proven technology. Pyrolysis is the thermo-chemical decomposition of material at elevated temperatures in an oxygen-deprived environment. The technology can process a wide variety of waste and biomass streams to produce a clean, high calorific value gas, which is suitable for utilization in gas engines to generate green electricity or further conversion to liquid fuels.

A2E Joint Venture

Within this division lies LCTI's 50% interest in A2E LLC. A2E LLC has been granted rights for a technology that utilizes algae to develop biodiesel. A2E LLC has licensed the rights to the technology from Suneco Energy and plans to deploy the technology at a site in Mexico.

Waste to Energy Deployment Licenses

The Company obtained deployment licenses from C6 for waste to energy and waste to fuel projects. The licenses grant the Company the right to utilize the technology in a specific geographic location. The licenses are registered on the date that the quotes are issued for each project. The license fees are based on the C6 standard fees. The license fees are not payable until permitting and financing occurs on each project. The ongoing monthly royalty fees are paid only upon project completion and project start up. The royalties are paid one month in arrears. The company currently has three projects that are registered with C6. The Company has already secured the three project sites via long term leases for which it intends to deploy the technology. The sites are as follows:

1. Tri-State Commerce Park

On November 30th, 2010 Project Green Lonestar 1 Corp., a wholly owned subsidiary of LCTI, entered into a lease agreement with Tishomingo County in Mississippi for a portion of the Tri-State Commerce Park. The lease is for a 65 acre portion of the 3,500 acre property as well 3,500 sq/ft of office space. LCTI has full access to utilize most of the site's extensive infrastructure further described below. At LCTI's option it may lease additional portions of the properties under similar terms and conditions. The fully furnished and operational office space has favorable lease payments of \$4,200 annually. Additional lease payments for the 65 acres being leased are calculated as 5% of gross revenue for onsite projects, with annual payments capped at \$350,000 once 20 full time employees are hired and \$250,000 once 30 full time employees are hired. The site is a former Tennessee Valley Authority Nuclear Power &

NASA Rocket Facility and is located at the juncture of the Tennessee River & the Tennessee Tombigbee Waterway with connections to the Mississippi-Ohio-Missouri River Systems and the Gulf of Mexico. The entire site includes*:

- 3500 Acres including buffer zone
- Site was developed at a cost of \$4 Billion dollars
- +/-169,000 square feet of furnished office facility
- Up to +/- 600,000sq ft. of industrial lease space
- Barge Dock
- 24/7 Security
- Dual feed electricity
- Onsite fire department
- Onsite rail and rail yard
- Bridge cranes up to 400 tons
- Electrical substation

**Information Report compiled: 12-2006. Prepared by the Tennessee-Tombigbee Waterway Development Council in cooperation with the Tennessee –Tombigbee Waterway Development Council. Information supplied by local officials.*

2. Texas

LCTI also has a long term lease in place for a ~13 acre site situated along Interstate 10 east of Beaumont Texas. The site is adjacent to a Goodyear manufacturing plant. The lease has a purchase option that can be triggered at any time during the term of the 25 year lease. LCTI intends to utilize this site for a future Waste to Energy facility.

3. Mexico

LCTI currently leases a 900 acre property located in Campeche along the Gulf of Mexico coast. The lease has a purchase option that can be triggered at any time during the term of the lease which is 25 years. The property is located approximately 10 miles away from the state capital city via a federal highway, and is conveniently close to the municipal landfill. Until the properties is utilized, developed, or improved by LCTI, the landlord is responsible for maintenance, taxes, and insurance. The site is located adjacent to a specialty woods lumber mill owned also owned by the landlord. Landlord and mill owner, Transforest, intends to provide wood waste to LCTI for use in a future Waste to Energy facility.

Cleantech Portfolio

LCTI's current portfolio of low carbon technologies are to be utilized to provide growth opportunities for sub-licensees and current and future affiliates, subsidiaries and partners. To date, LCTI has acquired licensing rights to a number of technologies in various stages of development. LCTI is currently in negotiations to enter into sub licensing agreements with third parties in the USA and Mexico for certain technologies in the LCTI portfolio of technologies.

LCTI, including its subsidiaries, holds the following technology licenses:

1. “Technology, Manufacturing Assembly and Distribution License Agreement”. (the “**LCL License.**”)

The LCL License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The license is exclusive but for the fact that the company can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The technology covered by the LCL License includes the following:

LED streetlights - These LED street lights incorporate innovative thermal management techniques. The patented rapid heat transfer and cooling system can transfer heat at up to 140 times the rate of copper, a widely used conductor.

The performance of LED lights is dramatically impaired by heat, but the heat management nanotechnology, combined with bespoke optics technology, delivers a highly energy efficient LED streetlight. System includes bespoke optics technology that achieves an even spread of light over the road and footpath (optics and light distribution is an important requirement of LEDs as LED light is directional in nature, meaning that it does not glow in the same way an incandescent bulb does).

LED street lights, alongside LED warehouse and factory lighting units, are already in production and trials with a number of customers. The LED lights have been tested successfully in the harshest conditions in Qatar since September 2008. They are also installed in a number of locations in Korea as well as in Nigeria as a solar street light.

The heat transfer technology may be commercially exploited in any situation requiring heat transfer, ranging from the cooling of PC Microchips up to heavy duty applications such as cooling step-down transformers for the national electricity power grid. Liquid coolant is sandwiched in a mesh between two um-thin plates. The heat transfer process works by phase change (evaporation & liquefaction) at ‘warm’ and ‘cool’ junctions, and by circulatory capillary action along the mesh between these points.

2. “Technology, Capability, Manufacturing, Assembly and Distribution License Agreement” (the “**ZCL License.**”)

The ZCL License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The ZCL License is exclusive but for the fact that LCTI can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The technology covered by the ZCL License includes the following:

Active thermoregulation technology

This system uses a patented heat pump to produce and store high temperature thermal transfer liquids that are either hot or super cooled that can be stored for weeks or months in very efficient thermally insulated storage tanks. These tanks enable enough thermal transfer liquids to be stored for a building to actively thermo regulate itself with minimal offsite energy input throughout the year.

Desalination and salt production

The patented water and salt separation system requires low energy to separate the water from the salt. The system uses an efficient heat exchanger to vacuum distil the seawater giving industrially pure water with saturated brine that can be further dried to produce salt. The technology produces hydrophobic plasma surface treatment: stainless steel is put through a plasma surface modification process so that no waterborne chemicals can react or adhere to

machinery surfaces and no micro-organisms can adhere to machinery surfaces. An autonomous desalination pilot plant was built from such materials and independently, successfully field tested with power coming from the concentrated solar power modules described below.

Uniquely no chemicals need to be added to the input pipes to kill marine micro-organism growth or to prevent scaling, so the salt and water produced is pure.

No toxic brine is ejected into the sea, no greenhouse gases are produced when utilized with solar modules and the salt can be resold to cover the costs of the water processing.

The system can be produced in 2m³ or 5m³/day modules to enable individual houses to have fresh water, or linked to provide communities or conurbations with water and salt.

Concentrated solar energy capture and power conversion

Concentrated solar power (CSP) technology that uses a very efficient patented hermetically sealed parabolic trough to concentrate sunlight onto either a patented vacuum tube receiver thermal converter or onto a patented photovoltaic strip. Concentrated Solar Energy receivers in which “dark” nano-surfaces produced on stainless steel tubing, using a plasma surface modification technique, are optimized to receive solar radiation. The solar receivers are inserted into evacuated silicon tubes, fixed in parabolic trough solar concentrators, mounted on heliostats. The unit is then mounted on a patented heliostat that enables an additional 25% of usable direct sunlight to be converted. This system is robust, can be operated autonomously and produces thermal or electrical power very cost effectively. The technology is scalable and modular so can be used to power a single house, factory, large community or city. The system was used to power a desalination plant in very successful autonomous field trials in Oman in 2003. An advantage of the system in the field of CSP is that the parabolic trough can be optimized for magnification depending on the latitude of use, enabling similar system efficiencies to be achieved as in the tropics.

Atmospheric Electrical Energy Harvesting

This technology harvests electrostatic energy from the atmosphere through a ground pylon. Patented pilot demonstration unit utilizes known electromagnetic phenomena. Each unit comprises an electrostatic energy conduction mast with an ultra-high DC voltage to low AC voltage converter. The system is designed to operate for a single house/ building or in huge field arrays. The system’s small footprint will allow it to be employed along road sides, be placed on skyscrapers and within orchards, forestry blocks or along hedgerows on farms.

“Skysails” for shipping

This technology lies in a high strength material technology that has the potential to becoming the sail and rigging material of choice for conventional high performance sails and Skysails, the leading renewable ship propulsion technology being developed and commercialized in Germany. The use of Skysails can reduce the fuel consumption of shipping. Due to its strength, density and creep it can significantly reduce fishing net drag, efficiency and life.

Bio-composite building components and system production technology

The material content will vary depending on local raw material sources, but is mainly made up of waste paper/wood, grit/glass, aluminum and plastics.

Structural sandwich panels are formed into factory finished walls, floors or roofs using a proprietary press that incorporates electro textile materials to create very cost effective, large vacuum presses and autoclaves.

Material is made of compressed waste biomass, including straw, paper, wood particles and plastics and produced into factory finished walls and floors in a very cost and energy efficient process so are carbon negative, unlike most other commercially available building materials. The key is that they are formed in two processes from raw material into a panel and then a panel into a factory finished wall, floor or roof, then they can be toaster racked to site to be joined using a simple jointing system.

Controlled environmental horticulture technology

A patented process for greatly enhancing the growth rate and the nutritional value of crops whilst, minimizing environmental impact. The technology creates patented optimized nutritional and environmental conditions for the plants to flourish 24 hours a day. The system needs distilled water and a closed environment to operate and therefore it is ideal for combining with the saltwater desalination technology shown below. The production cost per kg of nutrition is price competitive with conventional agriculture. With global demand for affordable food rising on a daily basis and the amount of available land available for agriculture decreasing proportionally this system can provide a viable alternative to supplying the nutritional needs of a growing population.

Energy storage technology

Energy Storage Technology covers both thermal energy and electrical energy. The thermal energy storage technology is summarized above in the active thermoregulation technology section.

Electrical energy storage is divided into three separate technologies; chemical energy storage (batteries), electrical energy storage (capacitors) and kinetic (spinning objects).

Nano-surfaces are created in a plasma chamber with near perfect surface coatings enabling near perfect dielectric properties to be achieved and enable very large surface area/ area ratios to be produced to create ultra-capacitors.

Ultra capacitors are energy efficient; have almost infinite life compared with chemical energy storage (batteries), etc. They can be used for long term storage and supply of electrical energy comparable to batteries, and buffering for short periods.

Plasma capacitors are electrical storage units containing aluminum with a considerable active surface area and dielectric properties enabling very high electrical storage densities to be achieved. Ultra efficient plasma capacitors enable electrical energy to be stored and used with minimal loss, almost limitless cycles, and working life making them a more environmentally sustainable electrical energy storage medium than batteries.

Electrowinning of precious and rare earth metals

Electrowinning is a technique used to produce materials such as lead, copper, gold, silver, zinc, aluminum, chromium, cobalt, manganese, and the rare-earth and alkali metals. The electro-winning technology was developed by the team that developed the original carbon based electro-winning process for Anglogold. The new version is more efficient at extracting precious metals from solution than their existing commercial technology. The system was field trialed at the Kumtor Mine owned by Centerra with excellent results. Technology can be used to create much purer solutions (less pollution) than existing electro-winning operations.

Centrifugal materials processing system

This technology is an efficient system for mixing liquids with liquids and solids with liquids. Existing mixing systems mix liquids with liquids and solids with liquids with liquid in the liquid phase. This technology efficiently converts the liquids into a gaseous / aerosol phase that then can be combined efficiently and accurately with other liquids and solids with a large increase in efficiency in mixing of emulsions.

Hydrofoil assisted marine vessels

Patented hydrofoil technology is used to reduce the wetted area unwanted ship movement, thereby reducing the fuel consumption and emissions from marine craft. A number of new international agreements require shipping companies to significantly reduce their ships' emissions. Virtually all existing cargo vessels and new builds can be retro- or outfitted with the system. Its universal design opens up an attractive market for the system.

Kinetic energy (water and wind) conversion

The (patent to be applied for) kinetic energy converter enables highly efficient conversion of mechanical energy for examples from wind or water into thermal (patent applications pending) or electrical energy and is especially useful in micro/macro power generation. The converter can be powered by either wind or hydro energy. The patent applied for unique efficient horizontal motion turbine enables power to be produced very cost effectively from wind and water with minimum environmental impact. The technology is potentially scalable and modular so can be used to power a single house or a community.

Nano-Carbon Fiber

This unique electro textile is made using a carbon cored yarn with a dielectric polymer sheath that when woven produces a range of electro responsive textiles, including heat generation. The material not only has excellent high temperature heating properties, but high strength when embedded in the composite, and can give live feedback on the stress and strain loading throughout the composite material.

Applications include the production of and use in multi-functional composites for the aerospace, defense, marine and built environment.

Low cost zero carbon power and CO2 sequestration

Patented Continuous Cycle Enriched Hydrocarbon Gas Power Generation, Carbon Sequestering and Enhanced Oil Recovery Technology. Uses industry accepted principles and methods, industry accepted component parts, proven technologies, and there are many potential sites for use with infrastructure already in place. This technology enables electrical and thermal power to be generated onsite and the inert exhaust gases / scrubbed out and CO2 sequestered underground to enhance oil recovery from the reservoir. This not only produces zero carbon power, but also produces very cost effective power and can extend the life of an oil reservoir by decades at a reduced cost. In depleted fields / reservoirs it is possible depending on the geology to pump prime the depleted oil reservoir with flue gas and recover enriched hydrocarbon gas to burn and re-inject (for every m3 of enriched hydrocarbon gas burned approximately 30-50m3 of flue gas is created). The patents cover the modifications needed to be made to the engines (turbine and ICE) as well as the continuous cycle process for enriched hydrocarbon.

Efficient transport technology

This efficient transport system combines Nano Carbon Fiber and Energy Storage technologies previously mentioned to be able to produce a cost effective and light vehicle. The automobile is a community commuter transport based on an ultra-light composite body produced using a patented fast production process using pre-preg vacuum pressed composites, for high accuracy and mould cycle time. The recyclable composite, similar in physical properties to a carbon fiber sandwich composite, is lighter than an alloy or glass fiber body.

Apart from the body and plasma capacitor the vehicle is based on “off the shelf” parts enabling it to be produced efficiently in low volumes. This approach cannot be taken by the large OEM car manufacturers as they are locked into legacy powertrains and body production lines that cost hundreds of millions to produce.

3. “Technology, Manufacturing Assembly and Distribution License Agreement” (the “**ZEM License.**”)

The ZEM License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The ZEM License is exclusive but for the fact that the company can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The technology covered by the ZEM License includes the following:

Electric/Hybrid vehicles - This technology allows for the production lightweight fully wheel chair accessible electric and hybrid buses. Future development plans include niche utility vehicles such as garbage trucks and city utility vehicles.

LCTI currently leases a 12,100 acre property located in Sonora along the US/México border. The lease has a purchase option that can be triggered at any time during the term of the lease which is 25 years. The property is located approximately 15 miles away from the border crossing at Lukeville, AZ via a federal highway and portions of the property are ocean front. Until the properties is utilized, developed, or improved by SEP, the landlord is responsible for maintenance, taxes, and insurance. LCTI intends to select a development partner to utilize LCTI's licensed solar desalination technology to be deployed onsite.

Development of Business

The Issuer was a Capital Pool Company as defined in the CPC Policy of the Toronto Stock Exchange ("TSX"). The Issuer made its Initial Public Offering of 1,230,000 Issuer Shares for gross proceeds of \$123,000 by way of an amended and restated final prospectus dated December 8, 2008, which was filed in the Provinces of Alberta and British Columbia. The Initial Public Offering and a concurrent private placement offering of \$77,000 were completed on December 23, 2008 and the Issuer Shares began trading on the Exchange effective January 12, 2009, under the symbol "ENC.P". On March 31, 2009, the Issuer completed a private placement offering for gross proceeds of \$169,070 and issued a total of 1,690,704 Issuer Shares.

On April 17, 2009, the Issuer entered into a letter of intent with SEP to acquire all of the issued and outstanding SEP Shares in exchange for Issuer Shares. On July 15, 2010, as amended by addendums dated January 6, 2011, January 8, 2012, and January 26, 2012, the Issuer entered into an Agreement with EnCap Acquisition and SEP, to acquire the business and assets of SEP by merging with EnCap Acquisition.

EnCap Acquisition and SEP completed the transaction under the WBCA on January 30, 2012 as evidenced by a stamped Articles of Merger and issuance of a Certificate of Merger from the Wyoming Secretary of State. Rather than receiving securities of EnCap Acquisition, SEP Shareholders each received one Issuer Share for every two and three tenths SEP Shares held. Other than the issuance of Issuer Shares in consideration for SEP Shares, the Issuer itself was not involved in the transaction and was not amalgamated with SEP pursuant to the Merger Agreement. As such, there was no change to the legal structure of the Issuer pursuant to the transaction. Upon completion of the Acquisition, the name of the Issuer was changed to *LCTI Low Carbon Technologies International Inc.*

The transaction was completed on January 30, 2012. The Issuer effectively acquired all of the SEP Shares issued and outstanding on the basis of two and three tenths SEP Shares issued and outstanding for one fully paid and non-assessable Issuer Share. Each issued and outstanding common share of EnCap Acquisition held by the Issuer was converted into a common share of LCTI, and continues to be owned by the Issuer.

The Acquisition was effected as follows:

- SEP and EnCap Acquisition transaction was completed on January 30, 2012 under the WBCA to become LCTI;
- every two and three tenths SEP Shares issued and outstanding became one Issuer Share;
- all of the property and assets of each of SEP and EnCap Acquisition are now the property and assets of LCTI and LCTI will be liable for all of the liabilities and obligations of each of SEP and EnCap Acquisition;
- LCTI is now a wholly-owned subsidiary of the Issuer;

- the Issuer's name was changed to LCTI Low Carbon Technologies International Inc. on January 30, 2012;
- the Issuer issued 134,583,460 Issuer Shares to the former SEP Shareholders;
- some of the Issuer Shares issued pursuant to the transaction to the directors, officers, insiders and non-insiders of the Issuer were placed in escrow.
- The offer and issuance of the Issuer Shares to the SEP Shareholders pursuant to the transaction were effected pursuant to certain available exemptions from:
 - the prospectus and registration requirements of the Securities Act (British Columbia) and the securities legislation of such other Canadian jurisdictions as applicable; and
 - the registration requirements of the U.S. Securities Act and all applicable state securities and blue sky laws.
- Immediately prior to the completion of the Acquisition, there were 309,541,990 SEP Shares outstanding and 4,690,704 Issuer Shares issued and outstanding. The aggregate number of issued and outstanding Issuer Shares upon completion of the Acquisition was 139,274,164. .

From February 9, 2009 to date, SEP issued an aggregate of 309,541,990 Shares for assets and services rendered at prices ranging from US\$0.055 to \$3.00 per SEP Share.

SEP issued 4,000,000 SEP Shares to PG Lonestar in respect of a grant of the exclusive option to purchase all of the issued and outstanding shares of PG Lonestar. **This was a non-arm's length transaction.**

On May 15, 2009, SEP acquired all of the issued and outstanding shares of HNNG Midstream Partners, LLC, a wholly-owned subsidiary of HNNG Development, LLC by the issuance of 15,000,000 SEP Shares. SEP also acquired all of the issued and outstanding shares of HNNG Energy, L.L.C., a wholly-owned subsidiary of HNNG Development, LLC by the issuance of 10,000,000 SEP Shares and the issuance of 3,000,000 shares of Entropy Power, its wholly-owned subsidiary. The acquisitions were made for the purpose of deploying the HNNG technology to develop high nitrogen natural gas resources. As part of these acquisitions, SEP also acquired a decommissioned nitrogen rejection plant, an interest in certain oil and gas properties, and exclusivity in Mexico and an option to purchase exclusivity for North America for the HNNG technology. This was an arm's length transaction.

In December 2009, SEP filed a lawsuit against HNNG Holdings, LLC, HNNG Development, LLC and certain of its officers and directors for breach of contract. SEP remained the sole shareholder of each of HNNG Midstream and HNNG Energy L.L.C. and settled the lawsuit.

On October 22, 2010, SEP issued 3,000,000 SEP Shares to Zero Carbon RDL Limited pursuant to a technology license agreement. This was an arm's length transaction. The license agreement granted exclusive manufacturing, distribution, and marketing licensing rights for North and South America to a portfolio of clean-tech technologies in various stages of development. SEP issued 200,000 SEP Shares for each of the fifteen technologies. As part of this licensing arrangement, the licensor shall reinvest the first US\$5,000,000 generated from the sale of SEP Shares received into the technology portfolio for research and development and to develop additional demonstration facilities. LCTI's licensed rights to the technologies are indefinite.

The following table summarizes the technologies that are part of this portfolio licensed to LCTI:

Brief Description	Design Capability
Atmospheric electrical energy harvesting technology	To harvest electrostatic energy from the atmosphere and convert it into readily usable DC and/or AC power
Active thermoregulation technology	Concentration, storage and recirculation of high and low temperature liquids for active thermoregulation of the built environment
Bio-composite building components and system production technology	Efficient use and processing of recyclable/low embedded energy materials into built environments
Controlled environmental horticulture technology	Utilizing the controlled environmental infrastructure and distilled water of desalination systems to efficiently and sustainably produce highly nutritional plants
Energy storage technology	Efficient storage of thermal and electrical energy
Electrowinning of precious and rare earth metals	Efficient extraction of precious and rare earth metals, including decontamination
Centrifugal materials processing system	Efficient processing of liquids and powders to increase materials efficiency and reduces energy consumption, including concrete structure mass reduction
Desalination and salt production	Efficient mineral extraction from saline solutions without chemical additives to produce distilled water and pure salt
Kinetic energy (water and wind) conversion	Efficient conversion of environmental kinetic energy into mechanical, thermal, or electrical power
“Skysails” for shipping	High power traction kites to reduce marine transport costs
Concentrated solar energy capture and power conversion	Efficient conversion of solar radiation into thermal and/or electrical energy
Hydrofoil assisted marine vessels	Displacement and waterline reduction of marine vessels reduces unwanted ship movement and emissions while increasing fuel efficiency
Nano-Carbon Fiber	Production of nano-carbon fiber from waste with minimal energy consumption
Efficient transport technology	Ultra light, efficient transport solution using high strength materials and efficient energy storage
Low cost zero carbon power and CO ₂ sequestration	Continuous cycle oil reservoir gas injection, CO ₂ sequestration, enriched gas production and zero carbon power generation
Bison Vehicles	Technology for hybrid military vehicles

On October 15, 2010, SEP acquired PG Lonestar in exchange for 185,000,000 SEP Shares in addition to the 4,000,000 SEP Shares issued for the exclusive option to purchase PG Lonestar. The assets of PG Lonestar include approximately 4,000 acres of land located along the Texas Gulf Coast. This land is owned by WK Management. LCTI, in co-operation with its partners and technology providers, plans to utilize portions of this property for the development and manufacturing of acquired technologies. LCTI, along with its partners, also plans to utilize portions of this property as a mitigation bank and they intend to sell mitigation credits. As part of the PG Lonestar acquisition SEP also acquired two technology licenses. The first is for the exclusive manufacturing, distribution, and marketing licensing rights in North and South America for electric and hybrid urban buses and utility vehicles (the “**ZEM License**”). Other models currently under development include a hybrid garbage truck and 12 meter versions of the electric and hybrid buses. The second is for exclusive manufacturing, distribution, and marketing licensing rights in North and South America for energy efficient LED streetlights and a heat transfer device useful in the thermal management of LED lighting units and other commercial applications requiring heat transfer (the “**LCL License**”). **This was a non-arm’s length transaction.** Both licenses were acquired by PG Lonestar with SEP Shares received for the option to purchase PG Lonestar.

The ZEM License was acquired by the issuance of 500,000 SEP Shares and is a perpetual license.

The LCL License was acquired by the issuance of 500,000 SEP Shares and is a perpetual licence. In addition, LCTI shall pay the licensor 5% of revenues earned as a result of exploiting the technology. These issuer Shares will be released by the licensee upon delivery of full specifications necessary for successful use, installation, and/ or production of the technology.

On December 10, 2010, SEP acquired a 27.5% interest in East Bay Farms LLC (“East Bay”), a Texas limited liability company by the issuance of 5,000,000 SEP Shares. LCTI’s environmental credit program is progressing with LCTI’s land mitigation business. East Bay is in the process of receiving Corps of Engineers approval for a 1,900 acre wetland mitigation bank known as the Gulf Coastal Plains Wetland Mitigation Bank. When approved, this mitigation bank will provide mitigation credits that will compensate for adverse impacts to U.S. coastal and wetland areas, resulting from developments and projects along the coastline from the Texas/Louisiana border to Surfside, Texas. Though Corps of Engineers approval for the mitigation bank is pending, East Bay has already begun to take reservation deposits for the credits to be produced on this site. East Bay Farms, LLC also has exclusive water rights to East Bay Bayou in Chambers County, Texas. East Bay Farms, LLC has the right to withdraw from East Bay Bayou 2,240 acre feet of water for agricultural purposes and 5,320 acre feet of water for industrial purposes on an annual basis. [Note: 1 Acre-Foot = 325,851 gallons]. Currently East Bay Farms has the right to extract and use over 2.4 Billion Gallons per year. This was an arm’s length transaction.

On April 1, 2011, SEP acquired Teposolar and its subsidiary, C&I Mechanical Ltd., for \$3,750,000 payable by way of a promissory note and 700,000 SEP Shares. The SEP Shares were issued to the general partners of C & I Mechanical. **This was a non-arm’s length transaction.**

On September 25, 2012 the terms of the promissory note and associated debt related to the acquisition of Teposolar and its subsidiary C&I were modified. The modified terms of the promissory note are as follows:

- a) The principal sum of the promissory note was reduced from \$3,750,000 to \$2,500,000.
- b) All interest accrued from April 1, 2011 to September 25, 2012 was forgiven.
- c) Two equal payments of \$1,250,000 are due on October 1, 2014 and October 1, 2015.
- d) Interest shall accrue at the rate of 5% per annum following the date of the first payment on October 1, 2014.

If mutually agreed the payments may be made with common shares of SEP. Concurrently with the above acquisition, Teposolar acquired all of the issued and outstanding limited partnership interests and 100% of the common shares of the general partner of C&I Mechanical Ltd., a Texas Limited Partnership. SEP acquired 100% of Teposolar and assumed all responsibilities related to the promissory note.

As part of the PG Lonestar acquisition, the Issuer acquired a long term lease with option to purchase on an ~800 acre property located in Campeche, Mexico. The lease which was executed on June 1, 2010 has a purchase option that can be triggered at any time during the 25 year term of the lease. The purchase option may be payable with project-specific equity for onsite developments. If the landlord declines payment by way of project-specific equity, the option exercise price will be payable in cash or Issuer Shares. The lease payments for the first three years are 76,000 Issuer Shares paid annually. Subsequent years are payable, at the option of the Issuer in cash or Issuer Shares. With the owner of the property responsible for maintenance, taxes, and insurance until development begins and flexible payment terms including project-specific equity, the financial responsibility associated with the property has been minimized while the Issuer, along with its Mexican partners, explore possible developments and future projects to deploy the Issuer’s low carbon and sustainable solutions on the property. The sub-leases may be terminated by the Issuer after the initial 3-year term, upon 60 days notice. The leases may be terminated by the landlords if the Issuer fails to create an Internal Development Plan, as defined in the lease agreement, within 3 years of June 1, 2010, the date of the original lease agreement.

On November 30, 2010, wholly owned subsidiary, PG Lonestar entered into a lease agreement with Tishomingo County in Mississippi for a portion of the Tri-State Commerce Park. The lease is for a 65 acre portion of the 3,500

acre property, as well 3,500 square feet of office space. The Issuer has full access to utilize most of the site's extensive infrastructure further described below. At the Issuer's option it may lease additional portions of the properties under similar terms and conditions. The fully furnished and operational office space has lease payments of \$4,200 annually. Additional lease payments for the 65 acres being leased and optional lease payments are calculated as 5% of gross revenue for onsite projects, with annual payments capped at \$350,000 once 20 full-time employees are hired, and \$250,000 once 30 full-time employees are hired.

The Tishomingo County site is a former Tennessee Valley Authority Nuclear Power & NASA Rocket facility developed at a cost of \$4 billion dollars*. The site is located at the juncture of the Tennessee River and the Tennessee Tombigbee Waterway with connections to the Mississippi-Ohio-Missouri River Systems and the Gulf of Mexico. The entire site includes the following:

- 3,500 acres of land, including a buffer zone;
- approximately 169,000 square feet of furnished space in an office building;
- approximately 600,000 square feet of industrial space;
- a barge dock;
- twenty-four hour, seven day a week security;
- dual feed electricity;
- onsite fire department;
- onsite rail and rail yard;
- bridge cranes with lifting capacity of up to 400 tons; and,
- an electrical substation.

This transaction was an arm's length transaction

**Source Tishomingo County Economic Development Authority*

On February 21, 2012 the Issuer acquired 50% of the membership units of Prestige Thermal Americas LLC ("Prestige") in exchange for the Issuer formally agreeing to utilize Prestige's Waste to Energy ("WTE") technologies for the first two WTE projects that the Issuer plans to develop in the USA. As part of the transaction Prestige will utilize approximately 40,000 sq. ft. of the Issuer's real estate assets for the Prestige Americas USA based manufacturing and pre-assembly facility. The Issuer will also work jointly with Prestige to secure the appropriate project financing.

GEI Green Energy Industries of South Africa provided the license to Prestige Thermal Americas LLC to manufacture the Prestige Thermal Energy Branded Equipment.

On March 2, 2012 the Issuer acquired 24.5% of the membership units of Industrial Commercial Mechanical LLC ("ICM") in exchange for an initial capital contribution of up to \$4,900 and a commitment to loan ICM up to \$98,000 to fund operations. On January 16, 2013 the Company acquired an additional 25.5% interest in ICM. ICM's principal service is the development, design, engineering and installation of projects that reduce the energy and operations and maintenance, or O&M, costs of customers' facilities. These projects will typically include a variety of measures customized for the facility and designed to improve the efficiency of major building systems, such as heating, ventilation, air conditioning and lighting systems.

On April 12, 2013 the Company secured a 43.5% of the membership units in Northwest Critical Minerals, LLC ("NCM"), a Rare Earth Elements (REE) mining company. LCTI agreed to issue non-exclusive licenses for certain technologies from its portfolio in exchange for the 43.5% interest.

On March 20, 2013 the Company secured a 50% of the membership units in A2E LLC, a Texas limited liability company ("A2E") in exchange for the Issuer formally agreement to provide or secure the real estate for the first project of A2E and funding start up costs. A2E has been granted rights to a technology that utilized algae for biodiesel production.

Governmental Regulation

Impact of United States Energy Regulations on the Company's Operations

LCTI is not aware of any environmental protection or regulation that negatively impacts its business.

Impact of Canadian Regulation on the Company's Operations

To LCTI's knowledge, there are no risks associated with foreign operations of LCTI and no dependence of the segments upon the foreign operations.

Research and Development

In the fiscal year ending August 31, 2012 the Issuer spent \$nil on research and development. For the nine months ended May 31, 2013 the Issuer spent \$nil on its research and development activities.

Employees

As of the date of this report, the Issuer and its subsidiaries employed 23 employees, 23 of which are a full-time employees. Management believes that relations with all employees are good.

Intellectual Property

LCTI, including its subsidiaries, holds the following licenses:

1. "Technology, Manufacturing Assembly and Distribution License Agreement" between Zero Emissions Ltd. and PG Lonestar dated October 20, 2010 (the "**ZEM License.**")

The ZEM License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The ZEM License is exclusive but for the fact that PG Lonestar can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The consideration paid for the ZEM License was the issuance of 500,000 SEP Shares to Zero Emissions Ltd.

The technology covered by the ZEM License includes the following:

Electric/Hybrid vehicles - This technology allows for the production lightweight fully wheel chair accessible electric and hybrid buses. Future development plans include niche utility vehicles such as garbage trucks and city utility vehicles.

2. "Technology, Manufacturing Assembly and Distribution License Agreement" between Low Carbon Lighting Ltd. and PG Lonestar dated June 2010 (the "**LCL License.**")

The LCL License is a -perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The license is exclusive but for the fact that PG Lonestar can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

Consideration for the LCL License was the issuance of 500,000 SEP Shares to Low Carbon Lighting Ltd.

The technology covered by the LCL License includes the following:

LED streetlights - These LED street lights incorporate innovative thermal management techniques. The patented rapid heat transfer and cooling system can transfer heat at up to 140 times the rate of copper, a widely used conductor.

The performance of LED lights is dramatically impaired by heat, but the heat management nanotechnology, combined with bespoke optics technology, delivers a highly energy efficient LED streetlight. System includes bespoke optics technology that achieves an even spread of light over the road and footpath (optics and light distribution is an important requirement of LEDs as LED light is directional in nature, meaning that it does not glow in the same way an incandescent bulb does).

LED street lights, alongside LED warehouse and factory lighting units, are already in production and trials with a number of customers. The LED lights have been tested successfully in the harshest conditions in Qatar since September 2008. They are also installed in a number of locations in Korea as well as in Nigeria as a solar street light.

The heat transfer technology may be commercially exploited in any situation requiring heat transfer, ranging from the cooling of PC Microchips up to heavy duty applications such as cooling step-down transformers for the national electricity power grid. Liquid coolant is sandwiched in a mesh between two um-thin plates. The heat transfer process works by phase change (evaporation & liquefaction) at 'warm' and 'cool' junctions, and by circulatory capillary action along the mesh between these points.

3. "Technology, Capability, Manufacturing, Assembly and Distribution License Agreement" between Zero Carbon RDL Limited ("Zero Carbon") and SEP dated October 22, 2010 (the "**Cap Tech License**.")

The Cap Tech License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The Cap Tech License is exclusive but for the fact that LCTI can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The consideration paid for the Cap Tech License was the issuance of 3,000,000 SEP Shares to Zero Carbon.

Zero Carbon agrees that the first \$5,000,000 generated from the sale of the Issuer shares that it receives pursuant to the Cap Tech License will be reinvested into the technology portfolio to develop the demonstration facilities

The technology covered by the Cap Tech License includes the following:

Active thermoregulation technology

This system uses a patented heat pump to produce and store high temperature thermal transfer liquids that are either hot (250c) or super cooled (-50oC) that can be stored for weeks or months in very efficient thermally insulated storage tanks. These tanks enable enough thermal transfer liquids to be stored for a building to actively thermo regulate itself with minimal offsite energy input throughout the year.

Desalination and salt production

The patented water and salt separation system requires low energy to separate the water from the salt. The system uses an efficient heat exchanger to vacuum distil the seawater giving industrially pure water with saturated brine that can be further dried to produce salt. The technology produces hydrophobic plasma surface treatment: stainless steel is put through a plasma surface modification process so that no waterborne chemicals can react or adhere to machinery surfaces and no micro-organisms can adhere to machinery surfaces. An autonomous desalination pilot plant was built from such materials and independently, successfully field tested at MEDRC with power coming from the concentrated solar power modules described below.

Uniquely no chemicals need to be added to the input pipes to kill marine micro-organism growth or to prevent scaling, so the salt and water produced is pure.

No toxic brine is ejected into the sea, no greenhouse gases are produced when utilized with solar modules and the salt can be resold to cover the costs of the water processing.

The system can be produced in 2m³ or 5m³/day modules to enable individual houses to have fresh water, or linked to provide communities or conurbations with water and salt.

Concentrated solar energy capture and power conversion

Concentrated solar power (CSP) technology that uses a very efficient patented hermetically sealed parabolic trough to concentrate sunlight onto either a patented vacuum tube receiver thermal converter or onto a patented photovoltaic strip. Concentrated Solar Energy receivers in which “dark” nano-surfaces produced on stainless steel tubing, using a plasma surface modification technique, are optimized to receive solar radiation. The solar receivers are inserted into evacuated silicon tubes, fixed in parabolic trough solar concentrators, mounted on heliostats. The unit is then mounted on a patented heliostat that enables an additional 25% of usable direct sunlight to be converted. This system is robust, can be operated autonomously and produces thermal or electrical power very cost effectively. The technology is scalable and modular so can be used to power a single house, factory, large community or city. The system was used to power a desalination plant in very successful autonomous field trials in Oman in 2003. An advantage of the system in the field of CSP is that the parabolic trough can be optimized for magnification depending on the latitude of use, enabling similar system efficiencies to be achieved as in the tropics.

Atmospheric Electrical Energy Harvesting

This technology harvests electrostatic energy from the atmosphere through a ground pylon. Patented pilot demonstration unit utilizes known electromagnetic phenomena. Each unit comprises an electrostatic energy conduction mast with an ultra high DC voltage to low AC voltage converter. The system is designed to operate for a single house/ building or in huge field arrays. The system’s small footprint will allow it to be employed along road sides, be placed on skyscrapers and within orchards, forestry blocks or along hedgerows on farms.

“Skysails” for shipping

This technology lies in a high strength material technology that has the potential to becoming the sail and rigging material of choice for conventional high performance sails and Skysails, the leading renewable ship propulsion technology being developed and commercialized in Germany. The use of Skysails can reduce the fuel consumption of shipping. Due to its strength, density and creep it can significantly reduce fishing net drag, efficiency and life.

Bio-composite building components and system production technology

The material content will vary depending on local raw material sources, but is mainly made up of waste paper/wood, grit/glass, aluminum and plastics.

Structural sandwich panels are formed into factory finished walls, floors or roofs using a proprietary press that incorporates electro textile materials to create very cost effective, large vacuum presses and autoclaves.

Material is made of compressed waste biomass, including straw, paper, wood particles and plastics and produced into factory finished walls and floors in a very cost and energy efficient process so are carbon negative, unlike most other commercially available building materials. The key is that they are formed in two processes from raw material into a panel and then a panel into a factory finished wall, floor or roof, then they can be toaster racked to site to be joined using a simple jointing system.

Controlled environmental horticulture technology

A patented process for greatly enhancing the growth rate and the nutritional value of crops whilst, minimizing environmental impact. The technology creates patented optimized nutritional and environmental conditions for the plants to flourish 24 hours a day. The system needs distilled water and a closed environment to operate and therefore it is ideal for combining with the saltwater desalination technology shown below. The production cost per kg of nutrition is price competitive with conventional agriculture. With global demand for affordable food rising on a daily basis and the amount of available land available for agriculture decreasing proportionally this system can provide a viable alternative to supplying the nutritional needs of a growing population.

Energy storage technology

Energy Storage Technology covers both thermal energy and electrical energy. The thermal energy storage technology is summarized above in the active thermoregulation technology section.

Electrical energy storage is divided into three separate technologies; chemical energy storage (batteries), electrical energy storage (capacitors) and kinetic (spinning objects).

Nano-surfaces are created in a plasma chamber with near perfect surface coatings enabling near perfect dielectric properties to be achieved and enable very large surface area/ area ratios to be produced to create ultra capacitors.

Ultra capacitors are energy efficient; have almost infinite life compared with chemical energy storage (batteries), etc. They can be used for long term storage and supply of electrical energy comparable to batteries, and buffering for short periods.

Plasma capacitors are electrical storage units containing aluminum with a considerable active surface area and dielectric properties enabling very high electrical storage densities to be achieved. Ultra efficient plasma capacitors enable electrical energy to be stored and used with minimal loss, almost limitless cycles, and working life making them a more environmentally sustainable electrical energy storage medium than batteries.

Electrowinning of precious and rare earth metals

Electrowinning is a technique used to produce materials such as lead, copper, gold, silver, zinc, aluminum, chromium, cobalt, manganese, and the rare-earth and alkali metals. The electro-winning technology was developed by the team that developed the original carbon based electro-winning process for Anglogold. The new version is more efficient at extracting precious metals from solution than their existing commercial technology. The system was field trialed at the Kumtor Mine owned by Centerra with excellent results. Technology can be used to create much purer solutions (less pollution) than existing electro-winning operations.

Centrifugal materials processing system

This technology is an efficient system for mixing liquids with liquids and solids with liquids. Existing mixing systems mix liquids with liquids and solids with liquids with liquid in the liquid phase. This technology efficiently converts the liquids into a gaseous / aerosol phase that then can be combined efficiently and accurately with other liquids and solids with a large increase in efficiency in mixing of emulsions.

Hydrofoil assisted marine vessels

Patented hydrofoil technology is used to reduce the wetted area unwanted ship movement, thereby reducing the fuel consumption and emissions from marine craft. A number of new international agreements require shipping companies to significantly reduce their ships' emissions. Virtually all existing cargo vessels and new builds can be retro- or outfitted with the system. Its universal design opens up an attractive market for the system.

Kinetic energy (water and wind) conversion

The (patent to be applied for) kinetic energy converter enables highly efficient conversion of mechanical energy for examples from wind or water into thermal (patent applications pending) or electrical energy and is especially useful in micro/macro power generation. The converter can be powered by either wind or hydro energy. The patent applied for unique efficient horizontal motion turbine enables power to be produced very cost effectively from wind and water with minimum environmental impact. The technology is potentially scalable and modular so can be used to power a single house or a community.

Nano-Carbon Fiber

This unique electro textile is made using a carbon cored yarn with a dielectric polymer sheath that when woven produces a range of electro responsive textiles, including heat generation. The material not only has excellent high temperature heating properties, but high strength when embedded in the composite, and can give live feedback on the stress and strain loading throughout the composite material.

Applications include the production of and use in multi-functional composites for the aerospace, defense, marine and built environment.

Low cost zero carbon power and CO2 sequestration

Patented Continuous Cycle Enriched Hydrocarbon Gas Power Generation, Carbon Sequestering and Enhanced Oil Recovery Technology. Uses industry accepted principles and methods, industry accepted component parts, proven technologies, and there are many potential sites for use with infrastructure already in place. This technology enables electrical and thermal power to be generated onsite and the inert exhaust gases / scrubbed out and CO2 sequestered underground to enhance oil recovery from the reservoir. This not only produces zero carbon power, but also produces very cost effective power and can extend the life of an oil reservoir by decades at a reduced cost. In depleted fields / reservoirs it is possible depending on the geology to pump prime the depleted oil reservoir with flue gas and recover enriched hydrocarbon gas to burn and re-inject (for every m3 of enriched hydrocarbon gas burned approximately 30-50m3 of flue gas is created). The patents cover the modifications needed to be made to the engines (turbine and ICE) as well as the continuous cycle process for enriched hydrocarbon.

Efficient transport technology

This efficient transport system combines Nano Carbon Fiber and Energy Storage technologies previously mentioned to be able to produce a cost effective and light vehicle. The automobile is a community commuter transport based on an ultra-light composite body produced using a patented fast production process using pre-preg vacuum pressed composites, for high accuracy and mould cycle time. The recyclable composite, similar in physical properties to a carbon fiber sandwich composite, is lighter than an alloy or glass fiber body.

Apart from the body and plasma capacitor the vehicle is based on “off the shelf” parts enabling it to be produced efficiently in low volumes. This approach cannot be taken by the large OEM car manufacturers as they are locked into legacy powertrains and body production lines that cost hundreds of millions to produce.

Item VII. The nature and extent of the issuer's facilities.

Asset	Location	Description
Office	Houston, TX	Office space leased
Office	Kountze, TX	Office space leased
Office	Beaumont, TX	Office space leased
Land (~13 acres)	Beaumont, TX	~13 acres of undeveloped land in Senora, Mexico currently controlled by Issuer through a 25-year lease with purchase option.
Land (~12,000 acres)	Senora, Mexico	~12,000 acres of undeveloped land in Senora, Mexico currently controlled by Issuer through a 25-year lease with purchase option.
Land (~4,000 acres)	Bolivar, TX	~4,000 acres of undeveloped land 100% owned by the Issuer in Bolivar, Texas. The majority of the tract is to be developed into a mitigation bank with ~100 acres being suitable for commercial or industrial development.
Land (~800 acres)	Campeche, Mexico	~800 acres of undeveloped land in Campeche, Mexico currently controlled by Issuer through a 25-year lease with purchase option .
Tri-State Commerce Park	Mississippi, USA	65 acres of undeveloped land and 3,500 sq/ft of office space currently being leased by Issuer for future development. 25-year lease allows access and full usage off onsite amenities including use of railway and port.
Natural Gas Nitrogen Extraction Plant	Oklahoma, USA	Decommissioned natural gas plant 100% owned by Issuer utilizing a nitrogen rejection technology in Oklahoma, USA.
Construction Equipment	Beaumont, TX	Construction equipment utilized by Teposolar Technologies Corp, a wholly owned subsidiary of the Issuer.
Automobiles	Beaumont, TX	~15 construction vehicles utilized by Teposolar Technologies Corp, a wholly owned subsidiary of the Issuer.

Item VIII. Officers, Directors and Control Persons.

Security Ownership of Management, Directors and Control Persons

The following table shows the beneficial ownership of our common stock as of May 31, 2013. The table shows the amount of shares owned by:

- (1) each person known to us who owns beneficially more than five percent of the outstanding shares of any class of the Company's stock, based on the number of shares outstanding as of May 31, 2013;
- (2) each of the Company's Directors and Executive Officers, as well as any control persons; and
- (3) all of its Directors and Executive Officers as a group.

The percentage of shares owned is based on 139,274,164 shares being outstanding as of May 31, 2013. Where the beneficially owned shares of any individual or group in the following table includes any options, warrants, or other rights to purchase shares in the Company's stock, the percentage of shares owned includes such shares as if the right to purchase had been duly exercised.

Name and Municipality of Residence	Number of Issuer Shares	Number of Issuer Stock Options	Percentage of Securities	Owned both of record and beneficially, of record only, or beneficially only
Bryan Scott Jarnagin, 4010 Bluebonnet St. Suite 209 Houston, TX, 77025	50,231,606 ⁽¹⁾	-	36.07%	of record and beneficially
Paul Cox, 609 Granville Suite 1040 PO Box 10354 Vancouver, BC	37,393,529	-	26.85%	of record
Brandon Jarnagin, 4010 Bluebonnet St. Suite 209 Houston, TX, 77025	16,903,553 ⁽²⁾	154,585	12.23%	of record and beneficially
Michael Lege, 4010 Bluebonnet St. Suite 209 Houston, TX, 77025	108,695	229,583	0.24%	of record
TTF Fund I Ltd. 8137 Gladys Suite 102 Beaumont, TX 77706	8,695,652	-	6.24%	of record
Charles DeLacey 4010 Bluebonnet St. Suite 209 Houston, TX, 77025	-	75,000	0.05%	of record
TOTAL:	104,528,688	459,168	81.68%	

1. 480,066 of these shares are held in the name of Zero Carbon Companies Corp., which is controlled equally between Paul Cox, Bryan Jarnagin and Brandon Jarnagin. 100,000 of these shares are held in the name of Entropy Partners LLC which is controlled by Bryan Jarnagin. Mr. Bryan Scott Jarnagin disclaims investment and dispositive control over these shares.
2. 480,066 of these shares are held in the name of Zero Carbon Companies Corp., which is controlled equally between Paul Cox, Bryan Jarnagin and Brandon Jarnagin. Mr. Cox disclaims investment and dispositive control over these shares.

Beneficial Ownership of Securities: Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, involving the determination of beneficial owners of securities, includes as beneficial owners of securities, any person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has, or shares, voting power and/or investment power with respect to the securities, and any person who has the right to acquire

beneficial ownership of the security within sixty days through means including the exercise of any option, warrant or conversion of a security.

Director and Executive Officer Summary

The following table sets forth the names and ages of our current directors and executive officers, their principal offices and positions and the date each such person became a director or executive officer. The Board of Directors elects our executive officers annually. Our directors serve one-year terms or until their successors are elected, qualified and accept their positions. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. Brandon Jarnagin, Vice President and director of the Issuer, is the son of Bryan Jarnagin, CEO and director of this Issuer. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

Name, Municipality of Residence and Position(s)	Principal Occupation for Past Five Years⁽¹⁾	Director Since
Bryan Scott Jarnagin Houston, TX <i>CEO, President and Director</i>	CEO of SEP since February 2009; Chairman and CEO, Entropy Partners, LLC, January 2006 to June 2010; Partner, Green Atlantic Partners, December 2002 to January 2008.	February 9, 2009
Michael P. Lege Houston, TX <i>CFO/Director</i>	CFO /Director of SEP. Current Comptroller and Treasurer for The Star of Texas Regional Center. Served as Secretary/Treasurer for Crown Team Texas beginning in 2005. For the seven years prior to Crown Team he served as Controller of Home Care Supply. From 1996 to 1999 he served as Controller of LAWPlus. For the seven years prior to LAWPlus he was Controller Assistant Treasurer of Taylor Medical, Inc. Assistant Controller of Gulf Supply, Inc., Mr. Lege's experience also includes three years as an operational accountant for Texaco Chemical and one year as an Internal Auditor for Walgreen's Company.	February 15, 2012
Brandon Jarnagin Houston, Texas <i>VP/ Director</i>	Vice President/ Director of SEP. Partner with Entropy Partners, LLC a US based firm focused on the sustainable energy and environmental technologies sectors. Previously business analyst for The American Productivity and Quality Center. Previously, analyst for Green Atlantic Partners, lead estimator and commercial sales manager for a Houston, TX based commercial construction firm.	November 11, 2012
Charles DeLacey Houston, TX <i>Director</i>	Mr. De Lacey has served as Senior Vice President of Wachovia Bank from April 2007 to June 2010, Senior Vice President, Finance of Metro National Bank since November 2010 and Vice President, Finance from April 2004 to April 2007, Senior Vice President of Regions Bank from June 2010 to October 2010, and Vice President of Enron Corp. from April 1998 to April 2004.	March 19, 2012

Notes:

1. The information as to principal occupation, business or employment and securities beneficially owned or controlled is not within the knowledge of management of the Issuer and has been furnished by the respective nominees.

Legal and Disciplinary History

No officer, director or control person of the Company has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

Item IX. Third Party Providers.

Securities Counsel

Cutler Law Group
3355 W. Alabama St. Suite 1150
Houston, TX 77098
(713) 888-0040
(800) 836-0714 fax
rcutler@cutlerlaw.com

Independent Registered Public Accounting Firm

The Hall Group
100 Crescent Court, Suite 700
Dallas, Texas 75201
(214) 222-1315
(972) 420-0032 fax

Item X. Issuer Certifications.

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION

I, Bryan Scott Jarnagin, the Chief Executive Officer of LCTI Low Carbon Technologies International Inc. hereby certify that:

1. I have reviewed this Quarterly Information and Disclosure statement of LCTI Low Carbon Technologies International Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: July 15, 2013

/s/ Bryan Scott Jarnagin

By: Bryan Scott Jarnagin
Title: CEO

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION

I, Michael Lege, the CFO of LCTI Low Carbon Technologies International Inc., hereby certify that:

1. I have reviewed this Quarterly Information and Disclosure statement of LCTI Low Carbon Technologies International Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: July 15, 2013

/s/ Michael Lege

By: Michael Lege
Title: CFO

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in United States dollars)

Nine months ended May 31, 2013 and 2012
(unaudited)

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of LCTI Low Carbon Technologies International Inc. (the "Corporation") are the responsibility of management and the Board of Directors. The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Bryan S. Jarnagin"
Chief Executive Officer

(signed) "Michael Lege"
Chief Financial Officer

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in United States dollars)

	As at May 31, 2013	As at August 31, 2012
ASSETS		
Current assets		
Cash	\$ 226,918	\$ 672,562
Accounts receivable (Note 5)	\$ 2,733,201	1,617,443
Prepaid expenses	\$ 4,753	1110
	\$ 2,964,872	2,291,115
Investments in affiliates (Note 6)	12,039,249	12,041,471
Investment in joint ventures (Note 7)	49,005,097	8178000
Machinery and equipment (Note 8)	776,120	655,996
Mitigation land (Note 9)	45,800,000	45,800,000
Intellectual property assets (Note 10)	25,774,428	28,991,271
Customer list (Note 4)	391,667	429,167
Goodwill (Note 4)	2,592,309	2,592,309
Total assets	\$ 139,343,743	\$ 100,979,330
EQUITY AND LIABILITIES		
Current liabilities		
Bank indebtedness (Note 11)	\$ 335,025	\$ 335,400
Accounts payable and accrued liabilities	4,259,401	3,545,612
Billings in excess of costs and estimated earnings	265,241	748,030
Current portion of long-term debt (Note 12)	75,183	1,590,808
Due to related parties (Note 13)	275,848	140,848
	5,210,698	6,360,698
Long term liabilities		
Long-term debt, net of current portion (Note 13)	2,559,558	2,736,140
Total liabilities	7,770,256	9,096,838
Equity		
Share capital (Note 14)	86,160,254	85,069,299
Non-controlling interest	24,547,343	-
Contributed surplus (Note 14)	16,948,020	16,899,010
Retained earnings (deficit)	3,917,870	(10,085,817)
Total equity	131,573,487	91,882,492
Total equity and liabilities	\$ 139,343,743	\$ 100,979,330

Signed "Bryan Jarnagin", Director

Signed "Mike Lege", Director

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in United States dollars)

	Nine Months Ended May 31, 2013	Nine Months Ended May 31, 2012	Three Months Ended May 31, 2013	Three Months Ended May 31, 2012
Revenue	\$ 4,323,923	\$ 1,840,022	\$ 2,917,748	\$ 325,092
Cost of goods sold (Note 15)	3,126,435	1,533,922	1,857,684	313,570
	1,197,488	306,100	1,060,064	11,522
Expenses				
General and administrative (Note 16)	2,319,606	1,732,571	929,142	693,082
Amortization and depreciation	3,333,382	3,010,225	1,108,151	1,243,721
Other expenses (Note 17)	28,285	613,886	41,003	99,973
Total expenses	5,681,273	5,356,682	2,078,296	2,036,776
Loss before gain on joint venture and gain on debt forgiveness	(4,483,785)	(5,050,582)	(1,018,232)	(2,025,254)
Gain on joint venture (Note 7)	16,324,549	8,178,000	4,214,549	-
Gain on debt forgiveness (Note 18)	2,162,924	-	-	-
Total gain on joint venture and debt forgiveness	18,487,473	8,178,000	4,214,549	-
Net income (loss) and other comprehensive income (loss) for the period	\$ 14,003,688	\$ 3,127,418	\$ 3,196,315	\$ (2,025,254)

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

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in United States dollars)

Balance, August 31, 2011	298,381,990	84,813,418	-	(11,565,008)	-	73,248,410
Cancellation of shares for services	(42,840,000)	-	-	-	-	-
EnCap Investments Inc. capital prior to reverse takeover transaction (Note 14)	4,690,704	355,796	79,908	-	-	435,704
Shares issued to private Sustainable Energy Properties shareholders (Note 4)	134,583,460	311,880	-	-	-	311,880
Elimination of private Sustainable Energy Properties share capital (Note 14)	(309,541,990)	-	-	-	-	-
Elimination of EnCap Investments Inc. share capital (Note 4)	-	(355,796)	(79,908)	-	-	(435,704)
Acquisition of intellectual property (Note 10)	-	-	16,850,000	-	-	16,850,000
Reinstatement of founders' shares	54,000,000	-	-	-	-	-
Elimination of cross ownership	-	(55,999)	-	-	-	(55,999)
Share based compensation	-	-	49,010	-	-	49,010
Net income (loss) for the period	-	-	-	3,127,418	-	3,127,418
Balance, May 31, 2012	139,274,164	\$ 85,069,299	\$ 16,899,010	\$ (8,437,590)	\$ -	\$ 93,530,719
Balance, August 31, 2012	139,274,164	85,069,299	16,899,010	(10,085,817)	-	91,882,492
Shares transferred for lease payments	-	1,090,956	-	-	-	1,090,956
Non-controlling interest on acquisition (Notes 4 and 7)	-	-	-	-	24,547,343	24,547,343
Share based compensation	-	-	49,010	-	-	49,010
Net income (loss) for the period	-	-	-	14,003,688	-	14,003,688
Balance, May 31, 2013	139,274,164	\$ 86,160,254	\$ 16,948,020	\$ 3,917,870	\$ 24,547,343	\$ 131,573,487
						-

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

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	Nine Months Ended May 31, 2013	Nine Months Ended May 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 14,003,688	\$ (2,025,255)
Items not affecting cash:		-
Amortization & depreciation	3,333,382	1,243,721
Gain on joint venture	(16,325,049)	-
Accounts payable forgiven	(399,248)	-
Debt forgiven	(1,763,676)	-
Shares transferred for lease payments	1,090,956	-
Interest on long-term debt	91,211	49,340
Stock based compensation	49,010	24,505
Share of loss of equity investment	(96,673)	-
Minority interest in income	(137,068)	-
Changes in non-cash working capital items:		
Increase in accounts receivable	(817,255)	824,449
Decrease in prepaid expenses	(810)	18,900
Increase in accounts payable and other liabilities	905,922	342,983
Increase in billings in excess of cost	(482,789)	-
Net cash flows provided by operating activities	(548,399)	478,643
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash at Acquisitions	177,339	-
Investment in affiliates	-	(44,000)
Investment in ICM	-	25,633
Acquisition of equipment	(50,996)	(337,939)
Net cash flows (used in) provided by investing activities	126,343	(356,306)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Issuance of long-term debt	28,134	-
Repayment of obligations under capital lease	-	(38,718)
Repayment of long-term obligations	(51,721)	-
Net cash provided by financing activities	(23,587)	(38,718)
Change in cash during the period	(445,644)	83,619
Cash, beginning of period	672,562	422,235
Cash, end of period	226,918	505,855

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

LCTI Low Carbon Technologies International Inc. formerly known as Encap Investments Inc. (the “Company” or “LCTI”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on August 11, 2008. The head office of the Company is located at 4010 Bluebonnet St. Suite 209 Houston, TX 77025, and its registered and records office is located at 5587 Westhaven Road, West Vancouver, British Columbia, V7W 3E9. The unaudited consolidated interim financial statements for the nine months ended May 31, 2013 were approved by the Board of Directors on July 12, 2013.

The Company was classified as a Capital Pool Company (“CPC”) as defined by the TSX Venture Exchange. On September 30, 2008, the Company received final receipts for a prospectus and became a reporting company in British Columbia and Alberta. The Company completed its initial public offering (the “offering”) on December 23, 2008.

Sustainable Energy Properties Inc. (“SEP”) and EnCap Acquisition Corp. (“Encap Acquisition”), a wholly owned subsidiary of the Company, amalgamated on January 30, 2012 under the Wyoming Business Corporation Act (“WBCA”). On January 31, 2012 the Company changed its name to LCTI Low Carbon Technologies International Inc. and On February 10, 2012 SEP completed a reverse takeover (“RTO”) of the Company. SEP is a clean technology and solutions provider focused on developing and operating cleantech projects.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to a going concern, which assume that the Company will be able to meet its obligations and continue its operations for its next fiscal year. At May 31, 2013, the Company has a working capital deficiency of \$2,245,825. This matter raises substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, the successful acquisition of an interest in assets or a business and the ability to generate positive cash flows from future profitable production or operations. These condensed consolidated interim financial statements do not give effect to adjustments that may be necessary to the carrying values of the Company’s assets, or to the classifications of its assets and liabilities, should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements for the nine months ended May 31, 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared using the same accounting policies and method of computation as the unaudited consolidated financial statements for the year ended August 31, 2012. Certain information and disclosures included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the unaudited consolidated financial statements for the year ended August 31, 2012. These unaudited condensed consolidated interim financial statements are presented in United States dollars.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

2. BASIS OF PREPARATION - CONTINUED

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Project Green Lonestar 1 Corp. ("PGL"), HNNG Midstream Partners, LLC ("HNNG Midstream"), HNNG Energy LLC ("HNNG Energy"), Teposolar Technologies Corp. ("Teposolar"), 95% owned subsidiary Entropy Power Corp. ("Entropy"), and special purpose entity ("SPE") Z Carbon Companies Corp. ("Z Carbon"). Significant inter-company transactions and balances have been eliminated upon consolidation. PGL was incorporated under the laws of the State of Wyoming, USA on February 9, 2009. PGL has a wholly owned subsidiary, WK Management Services Inc. ("WKM"), which was incorporated under the laws of the State of Wyoming, USA on March 5, 2009. Teposolar was incorporated under the laws of the State of Wyoming, USA on May 24, 2010. Teposolar has a wholly owned subsidiary, C&I Mechanical Ltd. ("C&I"), which was incorporated under the laws of the State of Texas, USA on January 28, 2002. HNNG Midstream, HNNG Energy, and Entropy are currently inactive. Industrial Commerical Mechanical LLC, a Texas limited liability company, Prestige Thermal Americas LLC, a Texas limited liability company, and A2E LLC, a Texas limited liability company are 50% owned by the Company and its accounts have been consolidated into these condensed consolidated interim financial statements. Z Carbon Companies Corp., a Wyoming Corporation, has common shareholders and directors, and is considered a Special Purpose Entity ("SPE") in accordance with *SIC-12 Consolidation – Special Purpose Entities* and its accounts have been consolidated into these condensed consolidated interim financial statements (note 21).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported assets and liabilities and actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2012.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

4. ACQUISITIONS

Acquisition of Teposolar Technologies Corp.

On April 1, 2011, the Company exercised its option to acquire all of the issued and outstanding common shares of Teposolar from officers and directors of the Company. The purchase price consisted of \$3,750,000 payable by way of a promissory note and 600,000 common shares of the Company.

Acquisition of C&I Mechanical Ltd.

Concurrent with the above acquisition, Teposolar acquired all of the issued and outstanding limited partnership interests and 100% of the common shares of the general partner of C&I, a Texas Limited Partnership for \$3,750,000 payable by way of a promissory note (Note 12) and 600,000 common shares of the Company. Teposolar assigned the promissory note to the Company as part of the purchase price below.

The acquisition has been accounted for using the purchase method of accounting and accordingly, these condensed consolidated interim financial statements include the results of operations of Teposolar and its wholly owned subsidiary C&I from the date of acquisition. The total purchase price of \$4,350,000 was allocated as follows:

	\$	\$	\$
Consideration paid:			
Common shares issued (600,000)*	600,000		
Promissory note	3,750,000		
Total consideration:			4,350,000
Net assets acquired:			
Cash	1,714,813		
Accounts receivable	4,744,058		
Equipment at fair value	147,291		
		6,606,162	
Less liabilities:			
Accounts payable	3,281,936		
Billings in excess of costs incurred	1,925,687		
Due to related parties	140,848		
		(5,348,471)	
Total net assets acquired:			
Excess purchase price consideration:			3,092,309
Allocated to:			
Customer list			500,000
Goodwill			2,592,309

**The fair value of \$600,000 common shares issued was based on the fair value of shares issued to non-related parties at the date of issuance.*

On September 25, 2012 the terms of the promissory note and associated debt related to the acquisition of Teposolar and its subsidiary C&I were modified and the promissory note was reduced to \$2,500,000.

The Company purchased Teposolar and its wholly owned subsidiary C&I because of synergies with the Company's business model of acquiring cash flow generating businesses that have the potential to achieve improved economies of scale through the introduction of new technologies. Goodwill comprises the value attributable to management strength and the experience of C&I. Customer list was valued using discounted cash flows. Key variables in the valuation of customer list were revenue of recurring customers for the last 5 years projected forward over 5 years and a discount rate of 15%. Customer list is being amortized over 10 years. Amortization expense charged to operations amounted to \$37,500 for the nine months ended May 31, 2013.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

4. ACQUISITIONS - CONTINUED

Industrial Commercial Mechanical LLC

On March 2, 2012, the Company acquired a 24.5% interest in Industrial Commercial Mechanical LLC ("ICM"), an energy service company in exchange for a \$4,900 capital contribution and a loan of \$69,100. Previous owner and manager of ICM transferred their 25.5% ownership of ICM to the Company on January 16, 2013. The Company now owns 50% of ICM.

5. ACCOUNTS RECEIVABLE

	February 28, 2013	August 31, 2012
Accounts receivable	\$ 2,733,201	\$ 1,617,443

No allowance has been provided as of May 31, 2013 and August 31, 2012 based on management's estimate and experience.

6. INVESTMENTS IN AFFILIATES

East Bay Farms LLC

On December 10, 2010 the Company acquired a 27.5% interest in East Bay Farms LLC ("East Bay"), a Texas limited liability company, for 5,000,000 common shares valued at \$11,926,837. The Company used discounted cash flows to assess the cost of the investment comprising of approximately 1,900 acres of mitigation land.

In determining the estimated market value of the mitigation land, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The following significant inputs were factored into the valuation technique on inception of the interest:

- a) The number and sales value of mitigation credits to be developed estimated at 925 and \$80,000 - \$105,000 respectively.
- b) Term of mitigation credit sales – the Company used an absorption rate of estimated total mitigation credits available of five (5) years.
- c) Discount rate – the discounted cash flow valuation technique requires a discount rate to match the risks of owning this investment. The discount rate, adjusted for credit and liquidity risk, was 16%.

Changes in variables such as the absorption rate, the number of credits approved by the U.S. Army Corps of Engineers, the value of mitigation credit sales and market demand will have a material impact on the estimated value of the investment. The various acquisition-date assumptions disclosed above did not materially differ from those that would have been applied at the end of August 31, 2012.

During the year ended August 31, 2012, the Company made additional investments, by way of cash calls, in East Bay Farms LLC of \$145,070 and incurred a loss of \$47,625 in 2012 for its investment in East Bay Farms LLC. The Company incurred a loss of \$15,770 in the nine months ended May 31, 2013.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

7. INVESTMENT IN JOINT VENTURES

Prestige Thermal Americas LLC ("PTA")

The Company has a 50% interest in PTA and during the six months ended February 28, 2013, officers and directors of the Company gained the majority of the seats of the Board of Directors of PTA. PTA is a jointly controlled entity established in the United States of America on February 20, 2012. The Company is committed to contribute certain non-monetary assets consisting mainly of providing or securing rights to an approximately 40,000 square feet of manufacturing facility; and a commitment to deploy the technology in the Company's first two waste-to-energy projects; and funding the start up costs of PTA in exchange for a 50% interest in the joint venture. The other joint venture partner contributed certain rights to manufacture and assemble certain technology equipment in North America to be employed in waste-to-energy, biomass-to-energy and biomass-to-liquid market sectors for the other 50% interest in the joint venture.

The Company engaged a third party to complete the valuation of the joint venture. Based on this valuation, the joint venture was valued at \$40,576,000. The valuation method used was an income approach using a discounted cash flow model. The key assumptions used in the model are timing of revenue stream and the profit to be generated, discount rate of 30%, terminal growth rate of 3.5%.

As a result of the valuation and gaining the majority of the voting rights of the Board of Directors, the Company recognized a gain on contribution to the joint venture of \$12,110,500 for the nine months ended May 31, 2013.

At May 31, 2013 and August 31, 2012 the total assets of the joint venture amounted to \$40,576,000 and \$nil, respectively. There were no liabilities at the end of the reporting periods. The joint venture did not have revenue and expenses for the nine months ended May 31, 2013 or the year ended August 31, 2012.

A2E LLC ("A2E")

A2E is a jointly controlled entity established in the United States of America on May 23, 2013. The Company is committed to contribute certain non-monetary assets consisting mainly of providing or securing rights to real estate for the entity's first project; and a commitment to funding the start up costs of A2E in exchange for a 50% interest in the joint venture. The other joint venture partner contributed certain rights to technology as sub-licensed through Sunthenoil LLC from SunEco Energy of California to produce biodiesel from algae for the other 50% interest in the joint venture.

The valuation of this joint venture is \$8,429,097. The valuation method utilized was the income approach using a discounted cash flow mode. The key assumptions used in the model are timing of revenue stream and the profit to be generated, discount rate of 50%, terminal growth rate of 3%.

As a result of the valuation the Company recognized a gain on contribution to the joint venture of \$4,214,549 for the nine months ended May 31, 2013.

At May 31, 2013 and August 31, 2012 the total assets of the joint venture amounted to \$8,429,097 and \$nil, respectively. There were no liabilities at the end of the reporting periods. The joint venture did not have revenue and expenses for the nine months ended May 31, 2013 or the year ended August 31, 2012.

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8. MACHINERY AND EQUIPMENT

	September 1, 2012	Additions	Disposals	Additions related to business combination	February 28, 2013
Cost:					
Computer hardware	1,375	-	(1,375)	-	-
Nitrogen removal unit	222,440	-	-	-	222,440
Machinery and equipment	10,571	3,505	-	38,355	52,431
Furniture and fixtures	5,188	3,876	-	17,665	26,729
Leasehold improvements	31,089	14,636	-	-	45,725
Start-up costs	-	-	-	98,852	98,852
Motor vehicles	478,138	30,135	-	-	508,273
Total	\$ 748,801	\$ 52,151	\$ (1,375)	\$ 154,872	\$ 954,449
Accumulated depreciation:					
Computer Hardware	69	-	(69)	-	-
Nitrogen removal unit	-	-	-	-	-
Machinery and equipment	4,322	1,113	-	-	5,435
Furniture and fixtures	3,170	817	-	-	3,987
Leasehold improvements	11,399	2,936	-	-	14,335
Start-up costs	-	2,746	-	-	2,746
Motor vehicles	73,845	77,330	-	-	151,175
Total	\$92,805	\$ 89,942	\$ (69)	\$ -	\$ 177,678
Net Book Value	\$ 655,996				\$ 776,770

	September 1, 2011	Additions	Disposals	Additions related to business combination	August 31, 2012
Cost:					
Computer hardware	\$ 1,375	\$ -	\$ -	\$ -	\$ 1,375
Nitrogen removal unit	222,440	-	-	-	222,440
Machinery and equipment	7,072	3,499	-	-	10,571
Furniture and fixtures	5,188	-	-	-	5,188
Leasehold improvements	31,089	-	-	-	31,089
Motor vehicles	107,446	370,692	-	-	478,138
Total	\$ 374,610	\$ 374,191	\$ -	\$ -	\$ 748,801
Accumulated depreciation:					
Computer hardware	\$ 69	\$ -	\$ -	\$ -	\$ 69
Nitrogen removal unit	-	-	-	-	-
Machinery and equipment	982	3,340	-	-	4,322
Furniture and fixtures	720	2,450	-	-	3,170
Leasehold improvements	2,590	8,809	-	-	11,399
Motor vehicles	8,954	64,891	-	-	73,845
Total	\$ 13,315	\$ 79,490	\$ -	\$ -	\$92,805
Net Book Value	\$ 361,295				\$ 655,996

Management has reviewed the carrying value of the machinery and equipment and determined there was no indication of impairment as at May 31, 2013.

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9. MITIGATION LAND

In May 2010, the Company purchased four parcels of land in the Bolivar Peninsula in Texas, USA through the issuance of 35,000,000 common shares. A value of \$45,800,000 was assigned to the shares issued.

Of the common shares issued, 17,500,000 shares were issued to directors and officers of the Company. The Company used discounted cash flows to estimate the cost of the investment comprising approximately 3,700 acres of land.

In determining the estimated cost of the mitigation land based on the market value for mitigation land, assumptions were made regarding future cash flows, and general business and economic conditions that prevail and are expected to prevail. By nature, asset valuations are subjective and do not necessarily result in precise determinations.

The following significant inputs were factored into the valuation:

- a) The number and sales value of mitigation credits to be developed estimated at 1,700 and \$75,000 respectively.
- b) Term of mitigation credit sales – based on historical mitigation credit sales in the industry, the Company used an absorption rate of estimated total mitigation credits available of 13 years.

Discount rate – the discount rate, adjusted for credit and liquidity risk, was 16%. Changes in variables such as the absorption rate, the number of credits approved by the U.S. Army Corps of Engineers, the value of mitigation credit sales and market demand will have a material impact on the estimated value of the investment.

10. INTELLECTUAL PROPERTY ASSETS

	September 1, 2012	Additions	Disposals	Additions related to business combination	May 31, 2013
Cost:					
Technology licenses:					
Low Carbon Lighting Ltd.	\$ 5,751,000	\$ -	\$ -	\$ -	\$ 5,751,000
Zero Carbon RDL Limited	\$ 10,260,000	-	-	-	10,260,000
Zero Emission Ltd.	\$ 1,452,000	-	-	-	1,452,000
C6 Technology Inc.	\$ 16,850,000	-	-	-	16,850,000
Total	\$ 34,313,000	\$ -	\$ -	\$ -	\$ 34,313,000
Accumulated amortization:					
Technology licenses:					
Low Carbon Lighting Ltd.	\$ 1,317,937	\$ 539,754	\$ -	\$ -	\$ 1,857,691
Zero Carbon RDL Limited	\$ 2,266,875	961,875	-	-	3,228,750
Zero Emission Ltd.	\$ 332,750	136,125	-	-	468,875
C6 Technology Inc.	\$ 1,404,167	1,579,086	-	-	2,983,253
Total	\$ 5,321,729	\$ 3,216,842	\$ -	\$ -	\$ 8,538,569
Net Book Value	\$ 28,991,271				\$ 25,774,429

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10. INTELLECTUAL PROPERTY ASSETS - CONTINUED

	September 1, 2011	Additions	Disposals	Additions related to business combination	August 31, 2012
Cost:					
Technology licenses:					
Low Carbon Lighting Ltd.	\$ 5,751,000	\$ -	\$ -	\$ -	\$ 5,751,000
Zero Carbon RDL Limited	10,260,000	-	-	-	10,260,000
Zero Emission Ltd.	1,452,000	-	-	-	1,452,000
C6 Technology Inc.	-	16,850,000	-	-	16,850,000
Total	\$ 17,463,000	\$ 16,850,000	\$ -	\$ -	\$ 34,313,000
Accumulated amortization:					
Technology licenses:					
Low Carbon Lighting Ltd.	\$ 599,063	\$ 718,874	\$ -	\$ -	\$ 1,317,937
Zero Carbon RDL Limited	984,375	1,282,500	-	-	2,266,875
Zero Emission Ltd.	151,250	181,500	-	-	332,750
C6 Technology Inc.	-	1,404,167	-	-	1,404,167
Total	\$ 1,734,688	\$ 3,587,041	\$ -	\$ -	\$ 5,321,729
Net Book Value	\$ 15,728,312				\$ 28,991,271

Management has reviewed the carrying value of the intangible assets and determined there was no indication of impairment as at May 31, 2013.

In October, 2010 the Company entered into various agreements discussed below whereby the Company was granted exclusive manufacturing, distribution, and marketing licensing rights to a portfolio of clean-tech technologies.

Low Carbon Lighting Ltd. ("LCL")

On October 15, 2010, the Company acquired the exclusive manufacturing, distribution, and marketing licensing rights in the USA, Canada, Mexico and all the sovereign countries that make up the geographic region of the Caribbean, America and Central South America, for 3 years for energy efficient LED streetlights and a heat transfer device useful in the thermal management of LED lighting units and other commercial applications requiring heat transfer. Payment was 500,000 common shares of the Company valued at \$5,751,000. Following the 3 year term, the Company would have had the right to extend the "Exclusivity Period" for an additional 5 years with a payment of USD \$1,200,000 payable in cash or common shares of the Company. On February 25, 2011, the agreement was amended to extend the "Exclusivity Period" indefinitely without further payment.

In addition to the above noted stock issuances, the Company will pay LCL 5% of revenue earned as a result of exploiting the technologies.

In determining the fair value of the LCL license, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. The relief from royalty approach is used to value the license. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of LCL license is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuation were projected sales, a royalty rate of 9%, and discount rate of 20%. Changes in these inputs and market demand will have a material impact on the estimated value.

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10. INTELLECTUAL PROPERTY ASSETS - CONTINUED

Zero Emissions Ltd. ("ZEM")

On October 10, 2010, the Company acquired the exclusive manufacturing, distribution, and marketing licensing rights in the USA, Canada, Mexico and all the sovereign countries that make up the geographic region of the Caribbean, Central America and South America, for 3 years for electric and hybrid urban buses and other utility vehicles. Payment was 500,000 common shares of the Company with a value of \$1,452,000. Following the 3 year term, the Company shall have the right to extend the "Exclusivity Period" for an additional 5 years with a payment of USD \$1,200,000 payable in cash or common shares of the Company. On February 18, 2011, the agreement was amended to extend the "Exclusivity Period" indefinitely without further payment.

In determining the fair value of the ZEM license, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. The relief from royalty approach is used to value the license. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of ZEM license is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuation were projected sales, a royalty rate of 5%, and discount rate of 30%. Changes in these inputs and market demand will have a material impact on the estimated value.

Zero Carbon RDL Limited ("Zero Carbon")

On October 22, 2010, the Company acquired the exclusive manufacturing, distribution, and marketing licensing rights in the USA, Canada, Mexico and all the sovereign countries that make up the geographic region of the Caribbean, Central America and South America, for 3 years for a portfolio of clean-tech technologies. As payment, the Company issued 3,000,000 common shares valued at \$8,100,000 for the 15 technologies in the portfolio. Following the 3 year term, the Company would have had the right to extend the "Exclusivity Period" for an additional 5 years for no additional cost. At the end of the 3 year exclusive period, if the Company does not extend, or at the end of the additional 5 year extension period, the license shall continue on indefinitely as a non-exclusive license for no additional cost, or until the expiry of the last patent, if earlier.

Zero Carbon agrees that the first \$5,000,000 generated from the sale of shares of the Company received by Zero Carbon will be re-invested into the technology portfolio to develop demonstration facilities.

On the same day, the agreement was amended to extend the "Exclusivity Period" indefinitely. Consideration for the amendment was paid by transferring 800,000 common shares of the Company valued at \$2,160,000 from a director and officer to Zero Carbon. A corresponding amount has been recorded as contributed surplus as the director and officer does not require repayment.

Management estimated the value ascribed to the common shares issued to acquire the technology license at \$2.70 per share based on the implied price of similar stock issuances for acquisitions that took place around the same period.

C6 Technology Inc. ("C6T")

On February 20, 2012, as part of the Prestige joint venture (Note 7), the Company obtained deployment licenses from C6 Technologies Inc. granting the Company the right to utilize their technology for waste to energy and waste to fuel projects. The licenses are registered on the date that the quotes are issued for each project. These licenses were contributed to the Company by a major shareholder, as a result of his efforts prior to the contribution and accordingly have been credited to contributed surplus. The license fees are based on the C6 Technologies standard fees. The license fees are not payable until permitting and financing occurs on each project. The ongoing monthly royalty fees are paid only upon project completion and project start up. The royalties are paid one month in arrears. The Company currently has three projects that are registered with C6 Technology Inc.

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10. INTELLECTUAL PROPERTY ASSETS - CONTINUED

The deployment licenses are valued at \$16,850,000. In determining the fair value of the deployment licenses, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. The relief from royalty approach is used to value the licenses. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of the deployments licenses is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuation were projected sales, a royalty rate of 19%, and discount rate of 30%. Changes in these inputs and market demand will have a material impact on the estimated value.

11. BANK INDEBTEDNESS

The Company has a revolving line of credit for up to \$350,000 from the International Bank of Commerce with a maturity date of April 25, 2012. Interest is New York prime rate + 1% with a minimum interest of 5.75% per annum. New York Prime rate is 3.25% as of the date of this report. As of May 31, 2013, the Company has drawn \$335,025 (August 31, 2012 - \$335,400) from the facility. A director and officer of the Company has placed a personal guarantee on this facility.

12. LONG-TERM DEBT

Note payable to C&I vendors (Note 4)

On September 25, 2012 the terms of the promissory note and associated debt related to the acquisition of Teposolar and its subsidiary C&I were modified. The modified terms of the promissory note are as follows:

1. The principal sum of the promissory note was reduced from \$3,750,000 to \$2,500,000.
2. All interest accrued from April 1, 2011 to September 25, 2012 was forgiven.
3. Two equal payments of \$1,250,000 are due on October 1, 2014 and October 1, 2015.
4. Interest shall accrue at the rate of 5% per annum following the date of the first payment on October 1, 2014.

Finance lease obligations

Finance leases relate to vehicle equipment. These leases have interest rates ranging from 6.74% to 8.9% and a remaining term of 39 to 41 months. Finance lease obligations included in long term debt as at February 28, 2013 is \$291,580. \$75,183 is included in current portion of long term debt.

As at May 31, 2013, \$2,559,558 is included in long term debt.

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13. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions not disclosed elsewhere in these condensed consolidated interim financial statements, are described below.

During the nine months ended May 31, 2013, the Company:

1. The Company accrued salaries of \$81,879 for Officers and Directors during the nine months ended May 31, 2013. Total accrued salaries for Officers and Directors is \$387,499.
2. Paid \$53,561 in consulting fees to a Company with common directors and shareholders.

During the nine month period ended May 31, 2012, the Company:

1. Received an assignment of an operating lease agreement from a Company with common directors and Shareholders.
2. On January 31, 2012, the directors of the Company forgave \$12,046 of the accounts payable and accrued liabilities for management fees, rental fees and reimbursements due to the directors of the Company. \$12,046 was classified as income.
3. The Chairman of the company has advanced the company operating capital totaling \$39,600 and has funded a Cash Call from one of the Investment Entities for \$27,500.
4. The Company Issued Stock Options to two of it Director's as part of a qualified option plan.
5. The Company paid \$15,000 in consulting fees to a Company with common directors and shareholders.

14. SHARE CAPITAL

Authorized share capital

As at May 31, 2013, the Company has authorized an unlimited number of voting common shares without nominal or par value.

Shares issued and outstanding

	Number	Amount
Balance, August 31, 2011	298,381,990	\$ 84,813,418
Reinstatement of founders' shares ⁽¹⁾	54,000,000	-
Cancellation of shares for services ⁽²⁾	(42,840,000)	-
EnCap Investments Inc. capital prior to reverse takeover transaction ⁽³⁾	4,690,704	355,796
Elimination of private SEP share capital ⁽⁴⁾	(309,541,990)	-
Elimination of EnCap Investments Inc. share capital ⁽⁴⁾	-	(355,796)
Shares issued to private Sustainable Energy Properties shareholders ⁽⁴⁾	134,583,460	311,880
Elimination of cross ownership ⁽⁵⁾	-	(55,999)
Balance August 31, 2012	139,274,164	\$ 85,069,298
Shares transferred for lease payments ⁽⁶⁾	-	1,090,956
Balance May 31, 2013	139,274,164	\$ 86,160,254

1. On January 27, 2012 54,000,000 common shares of officers and director that were previously cancelled were reinstated.
2. On November 10, 2011 the Company cancelled 42,840,000 common shares that were previously issued for services.
3. On February 10, 2012 4,690,704 common shares of the Company were outstanding prior to the RTO with share capital of \$355,796.

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14. SHARE CAPITAL – CONTINUED

4. On February 10, 2012 the company completed the RTO with SEP and common shares of SEP were exchanged at a 2.3:1 basis for common shares of the Company.
5. On February 10, 2012 the Company completed the RTO with SEP and SEP's investment in the Company of \$55,999 was eliminated.
6. On November 10, 2012 the Company transferred 474,346 shares previously held by Z Carbon Companies Corp. for lease payments (Note 21)

Escrow shares

As at May 31, 2013 included in issued capital are 62,844,096 common shares held in escrow of which 61,793,096 are to be released up to February 15, 2015.

Stock options

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

The exercise price of the options granted under the Plan will be determined by the Board of Directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market value price. The term of any options granted shall not exceed the maximum permitted time period under applicable regulations.

A summary of the share option transaction for the nine months ended May 31, 2013 and the year ended August 31, 2012 are as follows:

	Number of options	Weighted average exercise price \$
Outstanding at August 31, 2011	-	
Converted to LCTI stock options upon RTO	360,000	0.10
Granted	2,333,333	0.25
Outstanding at August 31, 2012	2,693,333	0.23
Granted	-	-
Expired	360,000	0.10
Outstanding at May 31, 2013	2,333,333	0.23

360,000 stock options of LCTI outstanding as at January 30, 2012, exercisable at \$0.10 per option with an expiry date of January 30, 2013, were deemed as part of the consideration for the reverse takeover, and these options were valued on January 30, 2012 the date of the reverse takeover, using a Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 120%; risk free interest rate of 1.25%; an expected life of 0.92 years. As a result, the fair value of the stock options was estimated at \$8,531 and the amount was recorded as part of the reverse takeover transaction cost in the unaudited consolidated statement of operations and comprehensive income (loss) for the year ended August 31, 2012. On January 30, 2013 these stock options expired and were not exercised.

On February 27, 2012, the Company granted to directors, officers, and consultants of the Company 2,333,333 stock options to acquire common shares of the Company. The Options will vest quarterly over a period of one year in four equal batches with the first batch vesting May 31, 2012 and are exercisable at a price of \$0.25 per share for a period

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14. SHARE CAPITAL - CONTINUED

of two years from the date of issuance. The fair value of the stock options was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 120%; risk free interest rate of 1.25%; and an expected life of 2 years. As a result, the fair value of the stock options was estimated as \$98,020. \$49,010 has been recorded as an expense in the statement of operations and comprehensive income (loss) during the nine months ended May 31, 2013.

The following table summarizes stock options outstanding as at May 31, 2013:

Exercise prices (\$)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Exercise price for exercisable options (\$)
0.25	2,333,333	1.50	2,333,333	0.25

The estimated weighted average fair value of share options granted during the year ended August 31, 2012 was \$0.04 per option. The fair value of each share option grant was estimated on the date of grant, as determined by using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 31, 2013	August 31, 2012
Risk-free interest rate (%)	-	1.25%
Expected life (years)	-	1.86
Expected volatility (%)	-	120%
Expected dividend yield (%)	-	0%

15. COSTS OF GOODS SOLD

	For the nine months ended May 31		For the three months ended May 31	
	2013	2012	2013	2012
Labor	\$ 759,166	\$ 523,779	\$ 306,276	\$ 79,601
Materials	818,128	266,018	533,933	43,027
Equipment	501,546	370,424	407,164	31,455
Subcontractors	1,047,595	373,700	610,311	159,488
Total	\$ 3,126,435	\$ 1,533,922	\$ 1,857,684	\$ 313,570

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	For the nine months ended May 31		For the three months ended May 31	
	2013	2012	2013	2012
Leasing	\$ 818,253	\$1,005,786	\$ 272,751	335,262
Management and consulting	235,250	17,000	64,461	15,000
Office, rent and miscellaneous	484,367	266,468	232,745	111,522
Professional fees	236,219	27,161	41,097	26,745
Salaries and wages	490,173	347,188	317,862	178,062
Travel	127,072	68,986	73,590	26,491
Minority interest in income	(71,727)	-	(73,364)	-
Total	\$ 2,319,606	\$ 1,732,571	\$ 929,142	\$ 693,082

17. OTHER EXPENSES

	For the nine months ended May 31		For the three months ended May 31	
	2013	2012	2013	2012
Equity in net (income) loss of a affiliates	\$ (96,673)	\$ 50,633	\$ 0.06	\$ 50,633
Interest expense (Note 12)	124,958	143,090	41,003	49,340
Transaction costs	-	420,163	-	-
Total	\$ 28,285	613,886	\$ 41,003	\$ 99,973

18. GAIN ON DEBT FORGIVENESS

On September 25, 2012 the terms of the promissory note and associated debt related to the acquisition of Teposolar and its subsidiary C&I were modified and the promissory note was reduced from \$3,750,000 to \$2,500,000 and accrued interest was forgiven. A gain on forgiveness of debt of \$1,773,715 was recognized.

On February 1, 2013 accounts payable of \$399,248 was forgiven.

19. CAPITAL MANAGEMENT

The Company's objective in managing its capital, which consists of its shareholders' equity, is to safeguard all cash resources by investing in government or bank instruments which can be liquidated promptly and which yield an acceptable rate of return, and to issue from its treasury, shares, warrants and options which can be converted to cash. Treasury issuances of shares and warrants are part of the Company's capital raising process and are issued when cash is required, ideally under favorable market conditions, and with regard to dilution of the Company's capital structure. The exercise of warrants and options is under the control of the Company's management, as management represents three out of the four Board of Directors members. All capital transactions are subject to approval of the Company's directors. The Company is not subject to any regulatory capital requirements.

There were no changes in the Company's approach to capital management during the nine months ended May 31, 2013.

20. FINANCIAL INSTRUMENTS

Financial Risk Factors

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk (interest rate risk and currency risk).

Fair values

The Company's financial instruments include cash, amounts receivable, advances and accounts payable and other liabilities. The fair values of the financial instruments approximates their carrying values.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and amounts recoverable. Cash deposits are maintained with a financial institution of reputable credit and are redeemable on demand. Accounts receivable at May 31, 2013 is \$2,733,201. The Company evaluates the credit worthiness of its partners and establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. As at May 31, 2013 and 2012 no allowance was considered necessary as most of the Company's receivables are bonded.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. As at May 31, 2013, the Company has a working capital deficiency of \$2,245,825. The Company manages liquidity risk through the management of its capital structure. See Note 19.

Interest-Rate Risk

The Company earns an immaterial amount of interest income, and the Company has a revolving line of credit for up to \$350,000 from the International Bank of Commerce with a maturity date of April 25, 2012. Interest is New York prime rate + 1% with a minimum interest of 5.75% per annum. New York Prime rate is 3.25% as of the date of this report. As of May 31, 2013, the Company has drawn \$335,025 from the facility. A director and officer of the Company has placed a personal guarantee on this facility.

21. COMMITMENTS AND CONTINGENCIES

Prestige Thermal Americas LLC

The Company is to provide or secure rights to an approximately [40,000 square feet] manufacturing facility to be utilized for manufacturing and assembly of the technology licensed to the Company by GEI Green Energy Industries (pty) Ltd. at a future date to be determined by the Managers of PTA.

A2E LLC

The Company is to provide or secure rights to real estate to be utilized for the deployment of the technology that has been licensed to A2E. The Company has also formally agreed to fund the startup costs of A2E LLC.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED MAY 31, 2013 AND 2012
(Expressed in United States Dollars)

21. COMMITMENTS AND CONTINGENCIES - CONTINUED

Leases

On May 17, 2010 the Company entered into a lease agreement in Tishomingo County in Mississippi for a portion of the Tri-State Commerce Park. The lease is for a 65 acre portion of the 3,500 acre property as well as 3,500 sq/ft of furnished office space. At the Company's option it may lease additional portions of the properties under similar terms and conditions. The office space has minimum lease payments of \$4,200 annually.

Additional lease payments for the 65 acres being leased are calculated as 5% of gross revenue or \$1,000 per month, whichever is greater, for onsite projects with annual payments capped at \$350,000 once 20 full time employees are hired and \$250,000 once 30 full time employees are hired.

The Company entered into the following leases in the Sonora and Campeche areas of Mexico:

Effective Date	Lease	Location	Acres	Annual Rental Payment (0-3 years) common shares	Annual Rental Payment (3-25 years)	Optional Purchase Price	Original Lease Term
June 1, 2010	Mexico #1	Senora, Mexico	12,105	\$1,000,000	\$1,000,000	\$10,000,000	25
June 1, 2010	Mexico #2	Campeche, Mexico	897	\$76,000	\$76,000	\$760,000	25
April 12, 2010	Texas #1	Beaumont, Texas, USA	14	\$15,000	\$15,000	\$300,000	25

Lease payments for the first three years from the effective date of the lease are payable in common stock of the Company. Subsequent years are payable with equity in onsite development projects. If lessor declines payment with equity in onsite developments then the lease payments, at the option of the Company, are payable in cash or common stock of the Company. At the end of the first three years, if the value of the shares issued has a fair market value of less than \$1.00 per share, the Company will be required to pay the difference in cash or additional shares of the Company. Until the properties are utilized, developed, or improved by the Company, the landlord is responsible for maintenance, taxes, and insurance on all of the properties. The Company has the option to purchase the land, payable in cash or common shares of the Company, at any time.

On November 30, 2010, the Company assigned the leases to Z Carbon Companies Corp. (Z Carbon"), a company with common shareholders and directors. The shares of the Company required to be issued in the original lease will be transferred from shares already issued to directors and officers on behalf of Z Carbon. Z Carbon is considered a Special Purpose Entity ("SPE") in accordance with *SIC-12 Consolidation – Special Purpose Entities* because Z Carbon is controlled by officers and directors of the Company. Its accounts have been consolidated into these condensed consolidated interim financial statements. Z Carbon made a lease payment for the three months ended November 30, 2012 which is included in the statement of financial position and holds no other assets or liabilities other than the leases.

Included in accounts payable and accrued liabilities at May 31, 2013 is \$1,468,249 related to unpaid leases. Lease expense recognized in general and administrative expense for the nine months ended May 31, 2013 was \$818,253.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED FEBRUARY 30, 2013 AND 2012
(Expressed in United States Dollars)

22. SEGMENTED REPORTING

Financial reporting by operating segment is based on the internal organization and activities of the Company that are regularly provided to the chief operating decision maker and corresponds to the following reportable segments:

- The energy efficiency and related construction services segment consists of the operations of Teposolar and ICM.
- The environmental segment consists of the generation of mitigation credits and the operations of affiliate East Bay Farms LLC.
- The technology segment consists of the technology development, management, licensing, and the operations of the Prestige Thermal Americas LLC joint venture.

	Energy Efficiency	Technology	Environmental	Reconciliation	LCTI
Revenue	\$ 4,323,923	\$ -	\$ -	\$ -	\$ 4,323,923
COGS	3,126,435	-	-	-	3,126,435
Gross profit	1,197,488	-	-	-	1,197,488
Operating Expenses	674,894	818,253	-	754,732	2,247,879
Interest expense	110,284	-	-	14,674	124,958
Depreciation and amortization	115,958	3,216,843	-	581	3,333,382
Gain (loss) from joint venture	-	16,324,549	-	-	16,324,549
Income (loss) from affiliate	96,673	-	-	-	96,673
Minority Interest in income (loss)	(71,727)				(71,727)
Gain on debt forgiveness	-	-	-	2,162,924	2,162,924
Income (loss)	\$ 321,298	\$ 12,289,453	\$ -	\$ 1,392,937	\$ 14,003,688

Assets	Energy Efficiency	Technology	Environmental	Reconciliation	LCTI
Cash	\$ 226,918	\$ -	\$ -	\$ -	\$ 226,918
Accounts Receivable	2,733,201	-	-	-	2,733,201
Prepaid expenses	4,753	-	-	-	4,753
Total current assets	\$ 2,964,872	\$ -	\$ -	\$ -	\$ 2,964,873
Investments in affiliates	-		12,039,249	-	12,039,249
Investment in joint venture	-	49,005,097	-	-	49,005,097
Machinery and equipment	549,261	222,440	-	4,419	776,120
Mitigation land	-	-	45,800,000	-	45,800,000
Intellectual property assets	-	25,774,428	-	-	25,774,428
Customer list	391,667	-	-	-	391,667
Goodwill	2,592,309	-	-	-	2,592,309
Total non current assets	\$ 3,533,237	\$ 75,001,965	\$ 57,839,249	\$ 4,419	\$ 136,378,870

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED FEBRUARY 30, 2013 AND 2012
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22. SEGMENTED REPORTING – CONTINUED

Year ended August 31, 2012						
	Energy Efficiency	Technology	Environmental	Reconciliation	LCTI	
Revenue	\$ 3,578,845	\$ -	\$ -	\$ -	\$	3,578,845
COGS	3,285,826	-	-	-		3,285,826
Gross profit	293,019	-	-	-		293,019
Operating Expenses	803,794	1,406,700	24,999	367,299		2,602,792
Interest expense	196,085	-	-	5,309		201,394
Transaction costs	-	-	-	420,163		420,163
Depreciation and amortization	129,489	3,587,042	-	-		3,716,531
Gain from joint venture	-	8,178,000	-	-		8,178,000
Loss from affiliate	(3,323)	-	(47,625)	-		(50,948)
Income (loss)	\$ (839,672)	\$ 3,184,258	\$ (72,624)	\$ (792,771)	\$	1,479,191

	Energy Efficiency	Technology	Environmental	Reconciliation	LCTI	
Assets						
Cash	\$ 670,076	\$ -	\$ -	\$ 2,486	\$	672,562
Accounts Receivable	1,543,687	-	-	73,756		1,617,443
Prepaid expenses	550	-	-	560		1,110
Total current assets	\$ 2,214,313	\$ -	\$ -	\$ 76,802	\$	2,291,115
Investments in affiliates	1,578	-	12,039,894	-		12,041,472
Investment in joint venture	-	8,178,000	-	-		8,178,000
Machinery and equipment	432,181	222,440	-	1,375		655,996
Mitigation land	-	-	45,800,000	-		45,800,000
Intellectual property assets	-	28,991,271	-	-		28,991,271
Customer list	429,167	-	-	-		429,167
Goodwill	2,592,309	-	-	-		2,592,309
Total non current assets	\$ 3,455,235	\$ 37,391,711	\$ 57,839,894	\$ 1,375	\$	98,688,215

23. SUBSEQUENT EVENTS

There have been no subsequent events from May 31, 2013 to the date of this report.

LCTI LOW CARBON TECHNOLOGIES INTERNATIONAL INC.

(formerly Encap Investments Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED MAY 31, 2013

Introduction

This management discussion and analysis ("MD&A"), dated July 15, 2013 provides a review of the financial condition and the results of operations of LCTI Low Carbon Technologies International Inc. (the "Company" or "LCTI"). The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the nine months ended May 31, 2013. This MD&A with the unaudited condensed consolidated financial statements and notes thereto of the Company for the nine months ended May 31, 2013 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented are stated in United States dollars, unless otherwise indicated.

The following discussion and analysis of the operations, results and financial position of (the "Company") should be read in conjunction with the condensed consolidated interim financial statements and the notes thereto for the nine months ended May 31, 2013. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. The date of this report is July 15, 2013 and incorporates discussion by management on events that have occurred subsequent to the end of the reporting period.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the Company's intention to complete to complete future financings, acquisitions or investments. Forward looking-information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. Forward-looking information contained in this MD&A is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Background

LCTI Low Carbon Technologies International Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on August 11, 2008. The head

office of the Company is located at 4010 Bluebonnet St. Suite 209 Houston, TX 77025, and its registered and records is located at 5587 Westhaven Road, West Vancouver, BC V7W 3E9. The unaudited condensed consolidated financial statements for the nine months ended May 31, 2013 were approved by the Board of Directors on July 12, 2013.

The Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture. On September 30, 2008, the Company received final receipts for a prospectus and became a reporting company in British Columbia and Alberta. The Company completed its initial public offering (the “offering”) on December 23, 2008.

On January 31, 2012 the Company changed its name to LCTI Low Carbon Technologies International Inc. The Company was delisted from the NEX Board of the TSX Venture Exchange on February 15, 2012. The Company completed a merger transaction (the “Merger”) with Sustainable Energy Properties (“SEP”) on February 10, 2012. SEP is a clean technology and environmental solutions and services provider.

The Company’s primary objective is to continue to develop the business of SEP, which business is now assumed by LCTI as a result of the reverse takeover (“RTO”).

At May 31, 2013, the Company has a working capital deficiency of \$2,245,825. The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company’s capital resources are insufficient to fund operations the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirement or that additional financing will be available on terms acceptable to the Company in the future.

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain the necessary financing to meet the Company’s liabilities and commitments as they become payable, the successful acquisition of an interest in assets or a business and the ability to generate positive cash flows from future profitable production or operations.

The Company is hopeful of completing equity financing in 2013.

Corporate Highlights

Increase in energy efficiency division’s revenue

The Company’s energy efficiency division consisting of the operations of Teposolar Technologies Corp. and Industrial Commercial Mechanical LLC had revenues that increased to \$2,917,748 for the three months ended May 31, 2013 from \$325,092 for the same period in 2012. Gross profit increased to \$1,060,063 for the three months ended May 31, 2013 from \$11,522 for the same period in 2012.

Northwest Critical Minerals LLC Acquisition

The Company secured a 43.5% stake in Northwest Critical Minerals, LLC (“NCM”), a Rare Earth Elements (REE) mining company. LCTI agreed to issue non-exclusive licenses for certain technologies from its portfolio in exchange for the 43.5% interest.

A2E LLC Acquisition

The Company secured a 50% stake in A2E LLC, a joint venture with Sunthenoil LLC. LCTI agreed to secure the real estate for the joint venture's first project and fund startup costs for the 50% interest while Sunthenoil LLC provided technology utilized for the production of biodiesel from algae.

Operations

The operations of LCTI are divided into the following three divisions:

1. ***Energy Efficiency***-This division is responsible for provide energy efficiency and related construction services.
2. ***Environmental*** –This division is responsible for the development of mitigation banks and environmental credits.
3. ***Technology Management***-This division is responsible for the acquisition and development of clean technologies.

Energy Efficiency

The company energy efficiency division provides a broad range of comprehensive energy solutions including designs and implementation of energy savings projects. The division performs an in-depth analysis of the property, designs an energy efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. To date, this division has generated all revenues of the Company.

Included in this division are the operations of Industrial Commercial Mechanical LLC, an affiliate LCTI company that provides a broad range of comprehensive energy solutions including designs and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management. The Company performs an in-depth analysis of the property, designs an energy efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. The Company owns 50% of Industrial Commercial Mechanical LLC.

ICM's core competencies include the following:

- Equipment Efficiency
- Equipment replacement, system component retrofit, energy recovery equipment installation
- Load Management
- Energy source switching, dual fuel capability, operating schedule modifications, converted energy storage
- Operational Efficiency
- Operating procedures modification, controls addition, control sequence refinement, maintenance practices alteration
- Process Productivity
- Production flow refinement, capacity bottlenecking reduction, production line speed increases, new process technology

Also included in this division are the operation of wholly owned subsidiary Teposolar Technologies Corp. (“Teposolar”) and its subsidiary Commercial and Institutional Mechanical LLC (“C&I”). Acquired in April of 2011, Teposolar’s wholly owned subsidiary C&I, provides energy efficiency and related mechanical and electrical construction services that focus on large scale institutional clients. C&I has successfully completed projects ranging from schools to hospitals and the Company intends to utilize the experience of C&I to expand into building integrated and commercial solar projects that offer savings in operating costs for commercial and industrial developments.

Environmental

Mitigation banking is the restoration, creation, enhancement, or preservation of a wetland, stream, or habitat conservation area which offsets expected adverse impacts to similar nearby ecosystems. The goal is to replace the exact function and value of the specific wetland habitats that would be adversely affected by a proposed development project. Upon replacement of function and value of the habitat, credits are issued and become available for purchase for the developer of a project that is adversely affecting wetland habitats.

East Bay Farms, LLC (“East Bay”), an affiliate LCTI company is in the process of receiving U.S. Army Corps of Engineers approval for a 1,900 acre wetland mitigation bank known as the Gulf Coastal Plains Wetland Mitigation Bank. When approved, this mitigation bank will provide mitigation credits that will compensate for adverse impacts to U.S. Coastal and wetland areas, resulting from developments and projects along the coastline from the Texas/Louisiana border to Surfside, Texas. East Bay expects final approval for the mitigation bank and to receive initial credit deposits in 2013. East Bay has already begun negotiating the deposits with several oil and gas firms. East Bay also has exclusive water rights to East Bay Bayou in Chambers County, Texas. LCTI currently owns 27.5% of East Bay.

LCTI also has plans for the development of a second mitigation bank site along the Texas Gulf coast. The site was secured in May of 2010 and consists of 3,500 acres of land located throughout the Bolivar Peninsula.

The Bolivar Peninsula is situated along The Gulf Intracoastal Waterway. The Gulf Intracoastal Waterway is a navigable inland waterway bordering the Gulf of Mexico and running approximately 1,050 miles from Carrabelle, Florida to Brownsville, Texas. The waterway provides a protected shipping channel designed primarily for barge transportation. An entrance to the Gulf Intracoastal Waterway is located at the southeastern point of the Bolivar Peninsula and runs the entire length of the peninsula. Thirty miles northwest of this entrance lies the Port of Houston. The Port of Houston is ranked first in the U.S. in foreign tonnage for 14 consecutive years and first in imports for 19 consecutive years.

For more information on the development of this second mitigation bank site see “Projects” section of this report.

Technology

Prestige Joint Venture

Within this division lies LCTI's 50% interest in Prestige Thermal Americas LLC. Prestige Thermal Americas LLC has secured the exclusive rights in the Americas to manufacture Advanced Conversion Technology Equipment to be employed in the Waste to Energy, Biomass to Energy and Biomass to Liquid Market Sectors. C6 Technologies Inc. ("C6") has granted GEI Green Energy Industries Pty Ltd ("GEI") rights to their patented waste to energy technology. GEI and C6 have provided a license to Prestige to manufacture the Prestige Thermal Energy Branded equipment. More importantly, the license provides for technology and manufacturing know how transfer, during the execution of projects in progress.

The technology employs an advanced form of gasification known as pyrolysis – an existing and proven technology. Pyrolysis is the thermo-chemical decomposition of material at elevated temperatures in an oxygen-deprived environment. The technology can process a wide variety of waste and biomass streams to produce a clean, high calorific value gas, which is suitable for utilization in gas engines to generate green electricity or further conversion to liquid fuels.

Waste to Energy Deployment Licenses

The Company obtained deployment licenses from C6 for waste to energy and waste to fuel projects. The licenses grant the Company the right to utilize the technology in a specific geographic location. The licenses are registered on the date that the quotes are issued for each project. The license fees are based on the C6 standard fees. The license fees are not payable until permitting and financing occurs on each project. The ongoing monthly royalty fees are paid only upon project completion and project start up. The royalties are paid one month in arrears. The company currently has three projects that are registered with C6. The Company has already secured the three project sites via long term leases for which it intends to deploy the technology. The sites are as follows:

1. Tri-State Commerce Park

On November 30th, 2010 Project Green Lonestar 1 Corp., a wholly owned subsidiary of LCTI, entered into a lease agreement with Tishomingo County in Mississippi for a portion of the Tri-State Commerce Park. The lease is for a 65 acre portion of the 3,500 acre property as well 3,500 sq/ft of office space. LCTI has full access to utilize most of the site's extensive infrastructure further described below. At LCTI's option it may lease additional portions of the properties under similar terms and conditions. The fully furnished and operational office space has favorable lease payments of \$4,200 annually. Additional lease payments for the 65 acres being leased are calculated as 5% of gross revenue for onsite projects, with annual payments capped at \$350,000 once 20 full time employees are hired and \$250,000 once 30 full time employees are hired. The site is a former Tennessee Valley Authority Nuclear Power & NASA Rocket Facility and is located at the juncture of the Tennessee River & the Tennessee Tombigbee Waterway with connections to the Mississippi-Ohio-Missouri River Systems and the Gulf of Mexico. The entire site includes*:

- 3500 Acres including buffer zone
- Site was developed at a cost of \$4 Billion dollars
- +/-169,000 square feet of furnished office facility
- Up to +/- 600,000sq ft. of industrial lease space
- Barge Dock
- 24/7 Security
- Dual feed electricity
- Onsite fire department
- Onsite rail and rail yard
- Bridge cranes up to 400 tons
- Electrical substation

**Information Report compiled: 12-2006. Prepared by the Tennessee-Tombigbee Waterway Development Council in cooperation with the Tennessee –Tombigbee Waterway Development Council. Information supplied by local officials.*

2. Texas

LCTI also has a long term lease in place for a ~13 acre site situated along Interstate 10 east of Beaumont Texas. The site is adjacent to a Goodyear manufacturing plant. The lease has a purchase option that can be triggered at any time during the term of the 25 year lease. LCTI intends to utilize this site for a future Waste to Energy facility.

3. Mexico

LCTI currently leases a 900 acre property located in Campeche along the Gulf of Mexico coast. The lease has a purchase option that can be triggered at any time during the term of the lease which is 25 years. The property is located approximately 10 miles away from the state capital city via a federal highway, and is conveniently close to the municipal landfill. Until the properties is utilized, developed, or improved by LCTI, the landlord is responsible for maintenance, taxes, and insurance. The site is located adjacent to a specialty woods lumber mill owned also owned by the landlord. Landlord and mill owner, Transforest, intends to provide wood waste to LCTI for use in a future Waste to Energy facility.

A2E Joint Venture

Within this division lies LCTI's 50% interest in A2E LLC. A2E LLC has been granted rights for a technology that utilizes algae to development biodiesel. A2E LLC has licensed the rights to the technology from Suneco Energy and plans to deploy the technology at a site in Mexico.

Cleantech Portfolio

LCTI's current portfolio of low carbon technologies are to be utilized to provide growth opportunities for sub-licensees and current and future affiliates, subsidiaries and partners. To date, LCTI has acquired licensing rights to a number of technologies in various stages of development. LCTI is currently in negotiations to enter into sub licensing agreements with third parties in the USA and Mexico for certain technologies in the LCTI portfolio of technologies.

LCTI, including its subsidiaries, holds the following technology licenses:

1. "Technology, Manufacturing Assembly and Distribution License Agreement". (the "**LCL License**.")

The LCL License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The license is exclusive but for the fact that the company can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The technology covered by the LCL License includes the following:

LED streetlights - These LED street lights incorporate innovative thermal management techniques. The patented rapid heat transfer and cooling system can transfer heat at up to 140 times the rate of copper, a widely used conductor.

The performance of LED lights is dramatically impaired by heat, but the heat management nanotechnology, combined with bespoke optics technology, delivers a highly energy efficient LED streetlight. System includes bespoke optics technology that achieves an even spread of light over the road and footpath (optics and light distribution is an important requirement of LEDs as LED light is directional in nature, meaning that it does not glow in the same way an incandescent bulb does).

LED street lights, alongside LED warehouse and factory lighting units, are already in production and trials with a number of customers. The LED lights have been tested successfully in the harshest conditions in Qatar since September 2008. They are also installed in a number of locations in Korea as well as in Nigeria as a solar street light.

The heat transfer technology may be commercially exploited in any situation requiring heat transfer, ranging from the cooling of PC Microchips up to heavy duty applications such as cooling step-down transformers for the national electricity power grid. Liquid coolant is sandwiched in a mesh between two um-thin plates. The heat transfer process works by phase change (evaporation & liquefaction) at 'warm' and 'cool' junctions, and by circulatory capillary action along the mesh between these points.

Consideration for the license was 500,000 common shares of the Company valued at \$5,751,000. Following the 3 year term, the Company would have had the right to extend the "Exclusivity Period" for an additional 5 years with a payment of USD \$1,200,000 payable in cash or common shares of the Company. On February 25 2011, the agreement was amended to extend the "Exclusivity Period" indefinitely without further payment.

In addition to the above noted stock issuances, the Company will pay LCL 5% of revenue earned as a result of exploiting the technologies.

In determining the fair value of the LCL license, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. The relief from royalty approach is used to value the license. By

nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of LCL license is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuation were projected sales, a royalty rate of 9%, and discount rate of 20%. Changes in these inputs and market demand will have a material impact on the estimated value.

2. “Technology, Capability, Manufacturing, Assembly and Distribution License Agreement” (the “**ZCL License.**”)

The ZCL License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The ZCL License is exclusive but for the fact that LCTI can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

As payment, the Company issued 3,000,000 common shares valued at \$8,100,000 for the 15 technologies in the portfolio. Following the 3 year term, the Company would have had the right to extend the “Exclusivity Period” for an additional 5 years for no additional cost. At the end of the 3 year exclusive period, if the Company does not extend, or at the end of the additional 5 year extension period, the license shall continue on indefinitely as a non-exclusive license for no additional cost, or until the expiry of the last patent, if earlier.

Zero Carbon agrees that the first \$5,000,000 generated from the sale of shares of the Company received by Zero Carbon will be re-invested into the technology portfolio to develop demonstration facilities.

On the same day, the agreement was amended to extend the “Exclusivity Period” indefinitely. Consideration for the amendment was paid by transferring 800,000 common shares of the Company valued at \$2,160,000 from a director and officer to Zero Carbon. A corresponding amount has been recorded as contributed surplus as the director and officer does not require repayment.

Management estimated the value ascribed to the common shares issued to acquire the technology license at \$2.70 per share based on the implied price of similar stock issuances for acquisitions that took place around the same period.

The technology covered by the ZCL License includes the following:

Active thermoregulation technology

This system uses a patented heat pump to produce and store high temperature thermal transfer liquids that are either hot or super cooled that can be stored for weeks or months in very efficient thermally insulated storage tanks. These tanks enable enough thermal transfer liquids to be stored for a building to actively thermo regulate itself with minimal offsite energy input throughout the year.

Desalination and salt production

The patented water and salt separation system requires low energy to separate the water from the salt. The system uses an efficient heat exchanger to vacuum distil the seawater giving industrially pure water with saturated brine that can be further dried to produce salt. The technology produces hydrophobic plasma surface treatment: stainless steel is put through a plasma surface modification process so that no waterborne chemicals can react or adhere to machinery surfaces and no micro-

organisms can adhere to machinery surfaces. An autonomous desalination pilot plant was built from such materials and independently, successfully field tested with power coming from the concentrated solar power modules described below.

Uniquely no chemicals need to be added to the input pipes to kill marine micro-organism growth or to prevent scaling, so the salt and water produced is pure.

No toxic brine is ejected into the sea, no greenhouse gases are produced when utilized with solar modules and the salt can be resold to cover the costs of the water processing.

The system can be produced in 2m³ or 5m³/day modules to enable individual houses to have fresh water, or linked to provide communities or conurbations with water and salt.

Concentrated solar energy capture and power conversion

Concentrated solar power (CSP) technology that uses a very efficient patented hermetically sealed parabolic trough to concentrate sunlight onto either a patented vacuum tube receiver thermal converter or onto a patented photovoltaic strip. Concentrated Solar Energy receivers in which “dark” nano-surfaces produced on stainless steel tubing, using a plasma surface modification technique, are optimized to receive solar radiation. The solar receivers are inserted into evacuated silicon tubes, fixed in parabolic trough solar concentrators, mounted on heliostats. The unit is then mounted on a patented heliostat that enables an additional 25% of usable direct sunlight to be converted. This system is robust, can be operated autonomously and produces thermal or electrical power very cost effectively. The technology is scalable and modular so can be used to power a single house, factory, large community or city. The system was used to power a desalination plant in very successful autonomous field trials in Oman in 2003. An advantage of the system in the field of CSP is that the parabolic trough can be optimized for magnification depending on the latitude of use, enabling similar system efficiencies to be achieved as in the tropics.

Atmospheric Electrical Energy Harvesting

This technology harvests electrostatic energy from the atmosphere through a ground pylon. Patented pilot demonstration unit utilizes known electromagnetic phenomena. Each unit comprises an electrostatic energy conduction mast with an ultra-high DC voltage to low AC voltage converter. The system is designed to operate for a single house/ building or in huge field arrays. The system’s small footprint will allow it to be employed along road sides, be placed on skyscrapers and within orchards, forestry blocks or along hedgerows on farms.

“Skysails” for shipping

This technology lies in a high strength material technology that has the potential to becoming the sail and rigging material of choice for conventional high performance sails and Skysails, the leading renewable ship propulsion technology being developed and commercialized in Germany. The use of Skysails can reduce the fuel consumption of shipping. Due to its strength, density and creep it can significantly reduce fishing net drag, efficiency and life.

Bio-composite building components and system production technology

The material content will vary depending on local raw material sources, but is mainly made up of waste paper/wood, grit/glass, aluminum and plastics.

Structural sandwich panels are formed into factory finished walls, floors or roofs using a proprietary press that incorporates electro textile materials to create very cost effective, large vacuum presses and autoclaves.

Material is made of compressed waste biomass, including straw, paper, wood particles and plastics and produced into factory finished walls and floors in a very cost and energy efficient process so are carbon negative, unlike most other commercially available building materials. The key is that they are formed in two processes from raw material into a panel and then a panel into a factory finished wall, floor or roof, then they can be toaster racked to site to be joined using a simple jointing system.

Controlled environmental horticulture technology

A patented process for greatly enhancing the growth rate and the nutritional value of crops whilst, minimizing environmental impact. The technology creates patented optimized nutritional and environmental conditions for the plants to flourish 24 hours a day. The system needs distilled water and a closed environment to operate and therefore it is ideal for combining with the saltwater desalination technology shown below. The production cost per kg of nutrition is price competitive with conventional agriculture. With global demand for affordable food rising on a daily basis and the amount of available land available for agriculture decreasing proportionally this system can provide a viable alternative to supplying the nutritional needs of a growing population.

Energy storage technology

Energy Storage Technology covers both thermal energy and electrical energy. The thermal energy storage technology is summarized above in the active thermoregulation technology section.

Electrical energy storage is divided into three separate technologies; chemical energy storage (batteries), electrical energy storage (capacitors) and kinetic (spinning objects).

Nano-surfaces are created in a plasma chamber with near perfect surface coatings enabling near perfect dielectric properties to be achieved and enable very large surface area/ area ratios to be produced to create ultra-capacitors.

Ultra capacitors are energy efficient; have almost infinite life compared with chemical energy storage (batteries), etc. They can be used for long term storage and supply of electrical energy comparable to batteries, and buffering for short periods.

Plasma capacitors are electrical storage units containing aluminum with a considerable active surface area and dielectric properties enabling very high electrical storage densities to be achieved. Ultra efficient plasma capacitors enable electrical energy to be stored and used with minimal loss, almost limitless cycles, and working life making them a more environmentally sustainable electrical energy storage medium than batteries.

Electrowinning of precious and rare earth metals

Electrowinning is a technique used to produce materials such as lead, copper, gold, silver, zinc, aluminum, chromium, cobalt, manganese, and the rare-earth and alkali metals. The electro-winning technology was developed by the team that developed the original carbon based electro-winning process for Anglogold. The new version is more efficient at extracting precious metals from solution than their existing commercial technology. The system was field trialed at the Kumtor Mine owned by Centerra with excellent results. Technology can be used to create much purer solutions (less pollution) than existing electro-winning operations.

Centrifugal materials processing system

This technology is an efficient system for mixing liquids with liquids and solids with liquids. Existing mixing systems mix liquids with liquids and solids with liquids with liquid in the liquid phase. This technology efficiently converts the liquids into a gaseous / aerosol phase that then can be combined efficiently and accurately with other liquids and solids with a large increase in efficiency in mixing of emulsions.

Hydrofoil assisted marine vessels

Patented hydrofoil technology is used to reduce the wetted area unwanted ship movement, thereby reducing the fuel consumption and emissions from marine craft. A number of new international agreements require shipping companies to significantly reduce their ships' emissions. Virtually all existing cargo vessels and new builds can be retro- or outfitted with the system. Its universal design opens up an attractive market for the system.

Kinetic energy (water and wind) conversion

The (patent to be applied for) kinetic energy converter enables highly efficient conversion of mechanical energy for examples from wind or water into thermal (patent applications pending) or electrical energy and is especially useful in micro/macro power generation. The converter can be powered by either wind or hydro energy. The patent applied for unique efficient horizontal motion turbine enables power to be produced very cost effectively from wind and water with minimum environmental impact. The technology is potentially scalable and modular so can be used to power a single house or a community.

Nano-Carbon Fiber

This unique electro textile is made using a carbon cored yarn with a dielectric polymer sheath that when woven produces a range of electro responsive textiles, including heat generation. The material not only has excellent high temperature heating properties, but high strength when embedded in the composite, and can give live feedback on the stress and strain loading throughout the composite material.

Applications include the production of and use in multi-functional composites for the aerospace, defense, marine and built environment.

Low cost zero carbon power and CO2 sequestration

Patented Continuous Cycle Enriched Hydrocarbon Gas Power Generation, Carbon Sequestering and Enhanced Oil Recovery Technology. Uses industry accepted principles and methods, industry accepted component parts, proven technologies, and there are many potential sites for use with infrastructure already in place. This technology enables electrical and thermal power to be generated onsite and the inert exhaust gases / scrubbed out and CO2 sequestered underground to enhance oil recovery from the reservoir. This not only produces zero carbon power, but also produces very cost effective power and can extend the life of an oil reservoir by decades at a reduced cost. In depleted fields / reservoirs it is possible depending on the geology to pump prime the depleted oil reservoir with flue gas and recover enriched hydrocarbon gas to burn and re-inject (for every m3 of enriched hydrocarbon gas burned approximately 30-50m3 of flue gas is created). The patents cover the modifications needed to be made to the engines (turbine and ICE) as well as the continuous cycle process for enriched hydrocarbon.

Efficient transport technology

This efficient transport system combines Nano Carbon Fiber and Energy Storage technologies previously mentioned to be able to produce a cost effective and light vehicle. The automobile is a community commuter transport based on an ultra-light composite body produced using a patented fast production process using pre-preg vacuum pressed composites, for high accuracy and mould cycle time. The recyclable composite, similar in physical properties to a carbon fiber sandwich composite, is lighter than an alloy or glass fiber body.

Apart from the body and plasma capacitor the vehicle is based on “off the shelf” parts enabling it to be produced efficiently in low volumes. This approach cannot be taken by the large OEM car manufacturers as they are locked into legacy powertrains and body production lines that cost hundreds of millions to produce.

3. “Technology, Manufacturing Assembly and Distribution License Agreement” (the “**ZEM License.**”)

The ZEM License is a perpetual license to the technology, to manufacture, improve, market and sell the products and services produced from the exploitation of the technology in North America and the independent countries of Central America, South America and the Caribbean. The ZEM License is exclusive but for the fact that the company can sub-license all aspects of the license, including the right to third parties to grant sub-licenses themselves.

The technology covered by the ZEM License includes the following:

Electric/Hybrid vehicles - This technology allows for the production lightweight fully wheel chair accessible electric and hybrid buses. Future development plans include niche utility vehicles such as garbage trucks and city utility vehicles.

Consideration for the license was 500,000 common shares of the Company with a value of \$1,452,000. Following the 3 year term, the Company shall have the right to extend the “Exclusivity Period” for an additional 5 years with a payment of USD \$1,200,000 payable in cash or common shares of the Company. On February 18, 2011, the agreement was amended to extend the “Exclusivity Period” indefinitely without further payment.

In determining the fair value of the ZEM license, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. The relief from royalty approach is used to value the license. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of ZEM license is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuation were projected sales, a royalty rate of 5%, and discount rate of 30%. Changes in these inputs and market demand will have a material impact on the estimated value.

LCTI currently leases a 12,100 acre property located in Sonora along the US/México border. The lease has a purchase option that can be triggered at any time during the term of the lease which is 25 years. The property is located approximately 15 miles away from the border crossing at Lukeville, AZ via a federal highway and portions of the property are ocean front. Until the properties is utilized, developed, or improved by SEP, the landlord is responsible for maintenance, taxes, and insurance. LCTI intends to select a development partner to utilize LCTI’s licensed solar desalination technology to be deployed onsite.

Operating Companies

Intercompany Relationships

The following sets forth the subsidiaries of the company:

Teposolar Technologies Corp (“Teposolar”) and its wholly subsidiary, C&I Mechanical Ltd (“C&I”) operates an energy efficiency firm that focuses on large scale institutional clients and energy efficiency projects. The company intends to expand into building integrated and commercial solar projects that offer savings in operating costs for commercial and industrial developments.

Industrial Commercial Mechanical LLC (“ICM”), an LCTI company provides a broad range of comprehensive energy solutions including designs and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management. The Company performs an in-depth analysis of the property, designs an energy efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. LCTI currently owns 50% of Industrial Commercial Mechanical LLC as of the date of this report.

Prestige Thermal Americas LLC (“Prestige”), is a joint venture between the Company and GEI Green Energy Industries (pty) Ltd. . Prestige has secured the exclusive rights in the Americas to manufacture Advanced Conversion Technology Equipment to be employed in the Waste to Energy, Biomass to Energy and Biomass to Liquid Market Sectors. C6 Technologies Inc. (“C6”) has granted GEI Green Energy Industries pty Ltd (“GEI”) rights to their patented waste to energy technology. GEI and C6 have provided a license to Prestige to manufacture the Prestige Thermal Energy Branded equipment. The Company owns 50% of Prestige.

A2E LLC (“A2E”), is a joint venture with Sunthenoil LLC. A2E has secured rights to deploy a technology utilized for the production of biodiesel from algae. The Company owns 50% of A2E.

Project Green Lonestar 1 Corp., (“PGL”) currently holds two technology licenses.

WK Management Services Inc. (“WKM”) is a subsidiary of PGL and is currently inactive.

Entropy Power Corp., will manage the operations of the waste to energy plants but is currently inactive.

HNNG Midstream LLC is currently inactive

HNNG Energy LLC is currently inactive

Affiliates

East Bay Farms, LLC, an affiliate LCTI company operates an environmental credit program progress in with LCTI’s land mitigation business. East Bay is in the process of receiving Corps of Engineers approval for a 1,900 acre wetland mitigation bank known as the Gulf Coastal Plains Wetland Mitigation Bank. When approved, this mitigation bank will provide mitigation credits that will compensate for adverse impacts to U.S. Coastal and wetland areas, resulting from developments and projects along the coastline from the Texas/Louisiana border to Surfside, Texas. East Bay Farms, LLC also has exclusive water rights to East Bay Bayou in Chambers County, Texas. LCTI currently owns 27.5% of East Bay Farms LLC as of the date of this report.

Northwest Critical Minerals LLC, an LCTI joint venture was formed to take advantage of development opportunities for high-grade deposits of Rare Earth Elements (REEs), technology metals (tantalum/ niobium), and associated precious metals. LCTI owns 43.5% of Northwest Critical Minerals LLC.

Basis of Preparation

The Company's unaudited condensed consolidated Financial Statements for the nine months ended May 31, 2013, have been prepared in accordance with IFRS applicable to the preparation of financial statements. The accounting policies applied are based on IFRS policies issued and outstanding at May 31, 2013. The unaudited condensed consolidated Financial Statements for the nine months ended May 31, 2013 are presented in United States dollars.

New accounting standards and interpretations

The International Accounting Standard Board has issued the following standards, which have not yet been adopted by the Company. Effective dates of the standards are described below with early adoption permitted. The Company does not expect to adopt these new and amended standards before their effective dates.

- a) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.
- b) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.
- c) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.
- d) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition,

IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Valuation of non-financial assets

In determining the fair value of non-financial assets, including intangible assets, investments in affiliates, mitigation land, and joint venture, assumptions were made regarding future cash flows, comparable sales of similar projects, as well as general business and economic conditions that prevail and are expected to prevail. By nature, asset valuations are subjective and do not necessarily result in precise determinations. The valuation of non-financial assets is subject to material measurement uncertainty. It is reasonably possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recorded amount. Significant inputs factors into the valuations included projected sales, estimated value of mitigation credits, a royalty rates, terminal growth rate, and discount rates. Changes in these inputs and market demand will have a material impact on the estimated value.

Cost in excess of billings

Mechanical subcontracting revenue, construction costs, unearned contract revenue, and costs in excess of billings include amounts derived using the percentage of completion method applied to construction contracts. Percentage completion is calculated based on the costs incurred on each construction contract at the end of the respective accounting period divided by the total estimated costs for the contract. To determine the estimated cost to complete the construction contract, judgment, assumptions and estimates are required to evaluate issues related to the level of advancement, material and labor costs to complete the project, labor productivity, changes in

contract scope and subcontractor costs. Due to the nature of construction, estimates may change significantly from one accounting period to the next.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at May 31, 2013 and May 31, 2012.

Current projects in progress.

The following projects are in the early stages of development. No assurance can be given that LCTI will be able secure adequate financing for the completion of these projects. No assurance can be given that LCTI will be able to obtain all necessary regulatory permits or other required government approvals for the following projects. If it is unable to obtain such financing, permits or approvals, then the projects that are affected by this will be cancelled, which could have a materially adverse effect on the Issuer's financial position.

Project 1-Gulf Coastal Plains Wetland Mitigation Bank

A mitigation bank is a wetland, stream, or other aquatic resource area that has been restored, established, enhanced, or (in certain circumstances) preserved for the purpose of providing compensation for unavoidable impacts to aquatic resources permitted under Section 404 or a similar state or local wetland regulation.

The value of a bank is defined in "compensatory mitigation credits." A bank's instrument identifies the number of credits available for sale and requires the use of ecological assessment techniques to certify that those credits provide the required ecological functions.

Mitigation banks are a form of "third-party" compensatory mitigation, in which the responsibility for compensatory mitigation implementation and success is assumed by a party other than the permittee. This transfer of liability has been a very attractive feature for many companies and other entities who have the required U.S. permits for activities conducted in wetlands or other U.S. waters. These companies and other entities would otherwise be responsible for the design, construction, monitoring, ecological success, and long-term protection of the site. Mitigation banks are the preferred compensatory mitigation method of the U.S. Army Corps of Engineers, the federal agency responsible for oversight of wetlands mitigation.

Project Description

In 2010, LCTI acquired a 27.5% interest in East Bay Farms LLC, a Texas limited liability company. East Bay Farms LLC is in the process of receiving approval from the U.S. Army Corps of Engineers for a 1,900 acre mitigation bank site located along the Gulf Coast of Texas. The U.S. Army Corps of Engineers approval is expected in 2013

The Mitigation Bank will be developed on land which has functioned as an active rice farm. During the development Phases, areas not under active development will continue to be farmed under the U.S. Farm Service Administration guidelines.

The Mitigation Bank is located in Chambers County, Texas. The service area for the Mitigation Bank extends from the Texas-Louisiana border to the east and to the approximate middle of Harris and Galveston Counties, Texas to the west. This service area includes two of the busiest port systems and waterways in the United States; the Galveston-Houston and the Sabine-Neches waterways.

Project 2- Tidal Mitigation Bank Texas

LCTI through its affiliate expects to develop the LCTI Tidal Mitigation Bank developed on +/-3,500 acres owned by LCTI located in Port Bolivar, TX. The property is located southwest of Rollover Pass and is a barrier island making it unique in that tidal mitigation credits can be developed on the property. Tidal mitigation credits are typically sold at a higher premium.

The Mitigation Bank is located in Chambers County, Texas. The service area for the Mitigation Bank extends from the Texas-Louisiana border to the east and to the approximate middle of Harris and Galveston Counties, Texas to the west. This service area includes two of the busiest port systems and waterways in the United States; the Galveston-Houston and the Sabine-Neches waterways.

Project 3-400 Metric Ton Waste to Energy Facilities

The company has plans to develop three waste to energy plants located in Iuka - Mississippi, Beaumont – Texas, and Campeche – Mexico.

The facilities are expected generate synthesis gas (syngas) for the production of electricity from biomass such as forest wastes, plastics and municipal solid wastes (MSW) for each phase/and or transportations fuels.

Each facility will use licensed technologies provided by Prestige Thermal Equipment:

- 1) A proven and innovative gasification technology to generate the syngas from the waste streams
- 2) A catalyst and process that will convert the syngas into ethanol, diesel/biodiesel, or other chemicals such as naphtha. The plant will recover waste-heat to make steam that will be used to make electricity for on-site power consumption, limited peaking power, and black start capability.

Selected Annual Information

The following table summarizes selected financial data for the Company for the three most recently completed fiscal years. The information set forth below should be read in conjunction with the Company's financial statements, prepared in accordance with IFRS.

	Year Ended August 31 2012 (unaudited) \$	Year Ended August 31 2011 (unaudited) \$	Year Ended August 31 2010 (unaudited) \$
Total assets	100,979,330	81,430,663	47,640,055
Total long term liabilities	2,736,140	3,750,000	-
Total revenues from operations	3,578,845	3,805,516	-
Other gain (loss)	8,178,000	47,902	-
Income (loss) for the year	1,479,191	(4,087,593)	(1,868,860)
Basic and diluted income (loss) per share	0.01	(0.01)	0.00

Selected Financial Data

The following selected financial data for the fiscal quarters shown below is derived from the financial statements of the Company.

	Three Months Ended May 31, 2013 IFRS \$	Three Months Ended Feb. 28, 2013 IFRS \$	Three Months Ended Nov. 30, 2012 IFRS \$	Three Months Ended Aug. 31, 2012 IFRS \$	Three Months Ended May 31, 2012 IFRS \$	Three Months Ended Feb. 29, 2012 IFRS \$	Three Months Ended Nov. 30, 2011 IFRS \$	Three Months Ended Aug. 31, 2011 IFRS \$
Total assets	139,343,743	130,836,512	99,091,998	100,979,329	101,424,205	103,119,506	79,803,185	81,430,663
Total long term liabilities	2,559,558	2,513,913	2,505,011	2,736,140	5,316,566	5,633,393	3,001,130	3,750,000
Total revenues from operations	2,917,748	565,945	840,231	1,738,821	325,092	474,297	1,040,634	1,707,531
Other gain (loss)	4,214,549	12,509,248	1,763,676	-	-	8,178,000	-	-
Net income (loss)	3,196,315	10,817,412	(10,040)	(1,648,228)	(2,025,255)	6,211,273	(1,058,600)	(1,290,582)
Basic and diluted gain (loss) per share	0.02	0.08	(0.00)	(0.01)	(0.01)	0.03	(0.00)	(0.00)

Results of Operations

Nine months ended May 31, 2013

During nine months ended May 31, 2013, the Company had net income of \$14,003,688 compared to net income of \$3,127,418 for the same period in 2012. The increase in net income is attributed to both an increase in extraordinary gains and an increase in revenues. Extraordinary gains increased to \$18,487,473 for the nine months ended May 31, 2013 from \$8,178,000 from the same period in 2012. The increase in extraordinary gains was from contributions to both the Prestige Thermal Americas and A2E LLC joint ventures as shown in Note 7 of the of unaudited condensed consolidated financial statements for the nine months ended May 31, 2013. Also contributing to the increase of extraordinary gains was a gain of \$2,162,924 for debt forgiveness related to the promissory note from the acquisition of Teposolar Technologies Corp. and its subsidiary Commercial and Institutional Mechanical LLC and forgiveness of accounts payable as described in Note 18 of the unaudited condensed consolidated financial statements for the nine months ended

May 31, 2013. Revenue increased to \$4,323,923 for the nine months ended May 31, 2013 from \$1,840,022 for the same period in 2012. The increase in revenue was due to the improved operations of the Company's energy efficiency division consisting of the operations of Teposolar Technologies Corp. and Industrial Commercial Mechanical LLC.

The Company had total expenses of \$5,681,273 for the nine months ended May 31, 2013 compared to \$5,356,683 for the same period in 2012. The largest increases in expenses were attributed to amortization and depreciation and general and administrative expenses. Amortization expenses increased to \$3,333,382 during the nine months ended May 31, 2013 compared to \$3,010,225 for the same period in 2012. The increase in amortization expense resulted from the acquisition of intellectual property related to a waste to energy technology that was valued at \$16,850,000 and amortized over 8 years as shown in Note 10 of the unaudited condensed consolidated financial statements for the nine months ended May 31, 2013. General and administrative expenses increased to \$2,319,606 during the nine months ended May 31, 2013 from \$ 1,732,571 for the same period in 2012. The increase in general and administrative expenses is mainly attributed to the consolidation of Industrial and Commercial Mechanical LLC into the accounts of the Company since acquiring an additional 24.5% interest as shown in Note 4 of the unaudited condensed consolidated financial statements for the nine months ended May 31, 2013. Although total expenses increased during the nine months ended May 31, 2013 when compared to the same period in 2012, transaction costs associated with amalgamation with Encap Investments Inc. decreased to \$nil for the nine months ended May 31, 2013 from \$420,163 for the same period in 2012. The transaction costs were a one-time expense the Company will not incur again.

Three months ended February 28, 2013

During three months ended May 31, 2013, the Company had net income of \$3,196,315 compared to a net loss of 2,025,255 for the same period in 2012. The increase in net income is attributed to an extraordinary gain of \$4,214,549 on contribution to the A2E LLC joint venture as shown in Note 7 of the of unaudited condensed consolidated financial statements for the nine months ended May 31, 2013. Also contributing to the increase in net income was the increase in revenue to the \$2,917,748 for the three months ended May 31, 2013 from \$325,092 for the same period in 2012. The increase in revenue was due to the improved operations of the Company's energy efficiency division consisting of the operations of Teposolar Technologies Corp. and Industrial Commercial Mechanical LLC.

The Company had total expenses of \$2,078,296 for the three months ended May 31, 2013 compared to \$2,036,777 same period in 2012. The largest increase in expenses was the increase in general and administrative expenses from \$929,142 for the three months ended May 31, 2013 from \$693,082 for the same period in 2012. The increase in general and administrative expenses is mainly attributed to the consolidation of Industrial and Commercial Mechanical LLC into the accounts of the Company since acquiring an additional 24.5% interest as shown in Note 4 of the unaudited condensed consolidated financial statements for the nine months ended May 31, 2013.

Liquidity / Capital Resources

As at May 31, 2013, the Company had \$226,918 in cash compared to \$505,856 in cash as at May 31, 2012. As at May 31, 2013, the Company had accounts receivable of \$2,733,201 compared to accounts receivable of \$1,468,387 as at May 31, 2012. As at May 31, 2013 the Company had a working capital deficiency of \$2,245,825 compared to a working capital deficiency of \$526,278 as at May 31, 2012. The decrease in cash resulted from the build-up of accounts receivable. As the

accounts receivable become due the Company expects cash to increase. Although working capital decreased from May 31, 2012 to May 31, 2013, the Company has increased working capital during the 2013 fiscal year when compared the 2012 year end. As at the year ended August 31, 2012 the Company had a working capital deficiency of \$4,069,582 compared to a working capital deficiency of \$2,245,825 as at May 31, 2013.

The Company will require additional financing in order to carry out its business plan and to grow and expand its operations. It intends to raise additional funds through private sales of debt and equity securities. It is possible that required future financing will not be available or, if available, will not be available on favorable terms. If the Company issues treasury shares to finance its operations or expansion plans, control of the Company may change and its shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Financing Activities

There were no financing activities during the nine months ended May 31, 2013 or the year ended August 31, 2012.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the nine months ended May 31, 2013, the Company:

1. The Company accrued salaries of \$81,879 for Officers and Directors during the nine months ended May 31, 2013. Total accrued salaries for Officers and Directors is \$387,499.
2. Paid \$53,561 in consulting fees to a Company with common directors and shareholders.

During the nine month period ended May 31, 2012, the Company:

1. Received an assignment of an operating lease agreement from a Company with common directors and shareholders.
2. On January 31, 2012, the directors of the Company forgave \$12,046 of the accounts payable and accrued liabilities for management fees, rental fees and reimbursements due to the directors of the Company. \$12,046 was classified as income.
3. The Chairman of the company has advanced the company operating capital totaling \$39,600 and has funded a Cash Call from one of the Investment Entities for \$27,500.
4. The Company Issued Stock Options to two of it Director's as part of a qualified option plan.
5. The Company paid \$15,000 in consulting fees to a Company with common directors and shareholders.

Share Capital

Authorized share capital

As at May 31, 2013, the Company has authorized an unlimited number of voting common shares without nominal or par value.

Shares issued and outstanding

	Number	Amount
Balance, August 31, 2011	298,381,990	\$ 84,813,418
Reinstatement of founders' shares ⁽¹⁾	54,000,000	-
Cancellation of shares for services ⁽²⁾	(42,840,000)	-
EnCap Investments Inc. capital prior to reverse takeover transaction ⁽³⁾	4,690,704	355,796
Elimination of private SEP share capital ⁽⁴⁾	(309,541,990)	-
Elimination of EnCap Investments Inc. share capital ⁽⁴⁾	-	(355,796)
Shares issued to private Sustainable Energy Properties shareholders ⁽⁴⁾	134,583,460	311,880
Elimination of cross ownership ⁽⁵⁾	-	(55,999)
Balance August 31, 2012	139,274,164	\$ 85,069,298
Shares transferred for lease payments ⁽⁶⁾	-	1,090,956
Balance May 31, 2013	139,274,164	\$ 86,160,254

1. On January 27, 2012 54,000,000 common shares of officers and director that were previously cancelled were reinstated.
2. On November 10, 2011 the Company cancelled 42,840,000 common shares that were previously issued for services.
3. On February 10, 2012 4,690,704 common shares of the Company were outstanding prior to the RTO with share capital of \$355,796.
4. On February 10, 2012 the company completed the RTO with SEP and common shares of SEP were exchanged at a 2.3:1 basis for common shares of the Company.
5. On February 10, 2012 the Company completed the RTO with SEP and SEP's investment in the Company of \$55,999 was eliminated.
6. On November 10, 2012 the Company transferred 474,346 shares previously held by Z Carbon Companies Corp. for lease payments (Note 21)

Escrow shares

As at May 31, 2013 included in issued capital are 62,844,096 common shares held in escrow of which 61,793,096 are to be released up to February 15, 2015.

Stock options

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

The exercise price of the options granted under the Plan will be determined by the Board of Directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market value price. The term of any options granted shall not exceed the maximum permitted time period under applicable regulations.

A summary of the share option transaction for the nine months ended May 31, 2013 and the year ended August 31, 2012 are as follows:

	Number of options	Weighted average exercise price \$
Outstanding at August 31, 2011	-	
Converted to LCTI stock options upon RTO	360,000	0.10
Granted	2,333,333	0.25
Outstanding at August 31, 2012	2,693,333	0.23
Granted	-	-
Expired	360,000	0.10
Outstanding at May 31, 2013	2,333,333	0.23

360,000 stock options of LCTI outstanding as at January 30, 2012, exercisable at \$0.10 per option with an expiry date of January 30, 2013, were deemed as part of the consideration for the reverse takeover, and these options were valued on January 30, 2012 the date of the reverse takeover, using a Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 120%; risk free interest rate of 1.25%; an expected life of 0.92 years. As a result, the fair value of the stock options was estimated at \$8,531 and the amount was recorded as part of the reverse takeover transaction cost in the unaudited consolidated statement of operations and comprehensive income (loss) for the year ended August 31, 2012. On January 30, 2013 these stock options expired and were not exercised.

On February 27, 2012, the Company granted to directors, officers, and consultants of the Company 2,333,333 stock options to acquire common shares of the Company. The Options will vest quarterly over a period of one year in four equal batches with the first batch vesting May 31, 2012 and are exercisable at a price of \$0.25 per share for a period of two years from the date of issuance. The fair value of the stock options was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: dividend

yield of 0%; volatility of 120%; risk free interest rate of 1.25%; and an expected life of 2 years. As a result, the fair value of the stock options was estimated as \$98,020. \$49,010 has been recorded as an expense in the statement of operations and comprehensive income (loss) during the nine months ended May 31, 2013.

The following table summarizes stock options outstanding as at May 31, 2013:

Exercise prices (\$)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Exercise price for exercisable options (\$)
0.25	2,333,333	1.50	2,333,333	0.25

The estimated weighted average fair value of share options granted during the year ended August 31, 2012 was \$0.04 per option. The fair value of each share option grant was estimated on the date of grant, as determined by using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 31, 2013	August 31, 2012
Risk-free interest rate (%)	-	1.25%
Expected life (years)	-	1.86
Expected volatility (%)	-	120%
Expected dividend yield (%)	-	0%

Total Common Shares, Warrants and Options outstanding as at the date of this MD&A

The following table shows the number of Common Shares, Warrants, and Options issued and outstanding as at the date of this MD&A

Number of Common Shares issued and outstanding	139,274,164
Number of Warrants issued and outstanding	-
Number of Options outstanding	2,333,333
Total Fully Diluted	141,607,497

Risks and Uncertainties

An investment in the company involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of the company. These risks include, but are not limited to:

- the early stage of development of the business of the Company;
- the future capital requirements of the Company;
- dependence upon management and employees;
- labour relations;
- management of growth;
- return on investment/dividends;
- volatility;
- conflicts of interest;
- currency risk;
- company's revenues are expected to be negatively impacted by the deterioration of the economy
- current financial crisis is expected to result in less favorable financing terms and tighter operating covenants, which may prevent the Company or its subsidiaries from obtaining financing and operating loans;
- can be no assurance that the Company will be successful in executing strategic plan, or that its strategic plan will enable it realize its business objectives;
- success of the Company will depend in part on successful execution of large projects that carry significant risk;
- future acquisitions and investments may have a negative impact on the Company;
- U.S. based investors may have difficulty bringing suit and enforcing judgments against the Company;
- insurance coverage may not be adequate or available to cover all potential losses that may be incurred through damage to the Company's assets;
- environmental regulation may negatively impact the Company's ability to satisfy its financial and other obligations of the Company;
- there can be no assurance that the Company will be successful in obtaining regulatory permits or other required government approvals for certain projects;
- and there can be no assurance that the Company will be successful in protecting its intellectual property.

Risks related to the Company

Investors should carefully consider the following risk factors.

An investment in securities of the company should be considered highly speculative and should only be considered by those persons who can afford a total loss of their investment. In addition to the other information in this Listing Statement, an investor should carefully consider each of, and the cumulative effect of the following risk factors, in addition to the risk factors of the company set out in the financial statements attached hereto.

Early Stage of Development

The company has a very limited history of operations and is in the early stage of development. As such, the company will be subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Future Capital Requirements

The Company will require additional financing in order to carry out its long term business plan and to grow and expand its operations. It intends to raise additional funds through private sales of debt and equity securities. It is possible that required future financing will not be available or, if available, will not be available on favourable terms. If the Company issues treasury shares to finance its operations or expansion plans, control of the Company may change and its shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

As of the date of this MD&A, no additional sources of financing have been identified by the Company and there can be no assurance any will be available. If future financing is not available on terms that are commercially acceptable to the Company, then operations may be decreased or halted, the value of the Company Shares could decline and investors could lose some or all of their investments in the company.

Dependence on Management and Employees

Holders of Company Shares must rely upon the experience and expertise of the management and employees of the company. The Company's success is dependent upon its ability to attract and retain experienced management and employees. The Company does not currently have in place key man insurance on its management.

Labour Relations

The largest component of the Company's overall expenses will be salary, wages and benefits. Any significant increase in these expenses could impact the financial results of the Company. In addition, if there are any labour disruptions, then the operations of the Company would likely be interrupted and possibly stopped. This would have a serious and material adverse effect on the Company's ability to stay in business and investors could lose their entire investment in the Company.

Management of Growth

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any inability of the Company to manage growth successfully could have a material adverse effect on its business, financial condition and results of operations.

Return on Investment/Dividends

The Company does not intend to pay dividends on its outstanding common shares. Return on investment, if any, would have to come from an increase in the value of the Company Shares. There

is no assurance that the value of the Company Shares will increase or that, if they do, that there will be sufficient volume of trading to allow investors to sell their shares at the increased market price. If the market price does not increase or there is insufficient volume of trading, investors will not only be unable to gain a return on their investment but they may lose their entire investment in the company.

The market price of the Company Shares is expected to be volatile. An investor should not consider an investment in the Company Shares unless the investor is capable of sustaining an economic loss of the entire investment.

The market price of the Company Shares could be subject to significant fluctuation in response to variations in quarterly and yearly operating results, the success of the Company's business strategy and other factors. The market price could also be affected by other variables, including the general condition of the market, the strength of the economy, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. In addition, the stock market experiences price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of effected companies. These fluctuations may adversely affect the market price of the Company Shares. Therefore, investors could suffer significant losses if the price of the Company is depressed or the market is illiquid when an investor seeks liquidity and needs to sell the Company Shares. The Company Shares are highly speculative and an investor should not consider an investment in the Company unless the investor is capable of sustaining an economic loss of the entire investment.

Conflicts Of Interest

Certain of the directors of the Company are also directors, officers or shareholders of other companies and such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. Failure to properly deal with conflicts of interest by directors and officers of the Company could have a material adverse effect on the financial position of the Company.

Currency Risk

The bulk of ongoing activities of the Company will be transacted in currencies other than Canadian dollars. The principal business activities of the Company will be denominated in U.S. dollars. As a result, Canadian investors will be affected by currency fluctuations between Canadian and U.S. dollars.

The Company's revenues are expected to be negatively impacted by the deterioration of the economy.

The Company's revenues are expected to be negatively impacted by the deterioration of the economy in the regional markets in which the Company operates, and the Company's financial results are expected to be sensitive to loss of consumer confidence and the rising level of unemployment, among other factors. Although the Company cannot specifically correlate the impact of macro-economic conditions on its activities, the Company's management believes that the continued decline in economic conditions in Canada or the United States, or in any other region in which the Company may operate, will result in decreased demand for the products and services that the Company sells and, to the extent that this decline continues or increases in severity, the

Company's business, financial condition, liquidity and results of operations could be materially adversely affected.

The current financial crisis is expected to result in less favourable commercial financing terms and tighter operating covenants, which may prevent the Company or its subsidiaries from obtaining financing and operating loans.

In light of these and other significant developments, concerns by investors regarding the stability of the U.S. financial system is expected to result in less favorable commercial financing terms, including higher interest rates or costs and tighter operating covenants, which, in turn, may prevent the Company or its subsidiaries from obtaining financing and operating loans when needed.

There can be no assurance that the Company will be successful in executing its strategic plan, or that its strategic plan will enable it to realize its business objectives.

There can be no assurance that the Company's business and growth strategy will enable it to achieve profitability in future periods. The Company's future operating results will depend on a number of factors, including: (i) its ability to continue to successfully execute its strategic initiatives; (ii) the efficiency and effectiveness of its marketing programs in building product and brand awareness; (iii) its ability to realize greater levels of profitability; (iv) its ability to hire, train, manage and retain qualified staff; (v) its ability to continuously improve its service to achieve new and enhanced customer benefits, better quality and reduced costs; (vi) its ability to successfully identify and respond to emerging trends in technology, sustainable energy, sustainable development and environmental services; (vii) the level of competition in the aforementioned industry; and (viii) general economic conditions and consumer confidence.

There can be no assurance that it will be successful in executing its strategic plan or that this strategic plan will enable it to achieve its anticipated sales growth rates or to achieve profitability. Failure to successfully execute any material part of its strategic plan could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

There can be no assurance that the Company will be able to effectively manage its anticipated growth, and any failure to do so could have a material adverse effect on its business, financial condition, liquidity and results of operations.

The success of the Company will depend in part on successful execution of large projects that carry significant risk.

A substantial portion of the Company's anticipated revenues will be from large projects, some of which are conducted through joint ventures and/or subsidiaries. These projects may carry significant risk and as such, could result in significant losses. If any of the Company's future partners fail to perform their obligations, the Company may be required to make additional investment or provide additional services which could adversely affect the operations and financial position of the Company. The contract price on large projects is based on cost estimates based on a number of assumptions. Given the size of these projects, if these assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, the projects could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Future acquisitions and investments may have a negative impact on the Company.

The Company may expand its operations in the future through the acquisition of companies and technologies and additional investments. The Company may seek to enter into joint ventures or

other partnership agreements with third parties. Suitable acquisitions may not be found. Acquired companies may or may not be successfully and/or profitably operated by the Company or its subsidiaries. Joint ventures or any other form of alliance with third parties may or may not be successfully and/or profitably operated by the company, its subsidiaries, or third parties. If our future acquisitions or joint ventures are not successful, the Company may go out of business and investors will lose all of their investment in the Company.

U.S. based investors may have difficulty bringing suit and enforcing judgments against the Company.

The Company is organized under the laws of the Province of British Columbia, Canada. Consequently, it may be difficult for United States investors to effect service of process within the United States upon the Company or upon its directors or officers, or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the *United States Securities and Exchange Act of 1934*, as amended. Furthermore, it may be difficult for investors to enforce judgments of U.S. courts based on civil liability provisions of the U.S. federal securities laws in a foreign court against the Company or any of its non-U.S. resident officers or directors.

Insurance coverage may not be adequate or available to cover all potential losses that may be incurred through damage to the Company's assets.

It is intended that the Company will maintain insurance coverage in respect of its potential liabilities, including theft and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as it considers appropriate, taking into account all relevant factors. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, which may be uninsurable or not economically insurable. It is expected that management of the Company will use discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on the Company's assets and the business at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of the Company's lost investment. Certain factors also might make it unattractive to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received by the Company might not be adequate to restore its economic position with respect to such property. There are no assurances that the Company's anticipated insurance coverage will continue to be available to it on reasonable terms, including reasonable premium, deductible and coinsurance requirements or that the Company's insurer will not disclaim coverage of any future claim. The Company's business, financial condition, liquidity and results of operations could be materially adversely affected if any of the foregoing developments were to occur.

Environmental regulation may negatively impact the Company's ability to satisfy its financial and other obligations of the Company.

The Company's lease properties which are subject to certain federal, state, provincial and/or local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Company may incur costs to clean up contamination present on, at or under its leased properties, even if such contamination was present prior to the commencement of the subsidiaries' operations at the site and was not caused by its activities which could materially affect its business, financial condition,

liquidity and results of operations, and therefore, its ability to satisfy its financial and other obligations to the Company.

There can be no assurance that the Company will be successful in obtaining regulatory permits or other required government approvals for certain projects.

No assurance can be given that the Company will be able to obtain all necessary regulatory permits or other required government approvals for certain projects that it intends to carry out in the future. If it is unable to obtain such permits or approvals, then the projects that are affected by this will be cancelled, which could have a materially adverse effect on the Company's financial position.

There can be no assurance that the Company will be successful in protecting its intellectual property.

No assurance can be given that third party companies will not independently develop substantially similar branding to the Company. The Company may rely on trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite its efforts to protect its proprietary rights, unauthorized parties may attempt to obtain and use information that the Company regards as proprietary. Stopping unauthorized use of the Company's proprietary rights may be difficult, time-consuming and costly. There can be no assurance that the Company will be successful in protecting its proprietary rights and, if it is not, its business, financial condition, liquidity and results of operations could be materially adversely affected.

Commitments and Contingencies

Prestige Thermal Americas LLC

The Company is to provide or secure rights to an approximately [40,000 square feet] manufacturing facility to be utilized for manufacturing and assembly of the technology licensed to the Company by GEI Green Energy Industries (pty) Ltd. at a future date to be determined by the Managers of PTA.

A2E LLC

The Company is to provide or secure rights to real estate to be utilized for the deployment of the technology that has been licensed to A2E. The Company has also formally agreed to fund the startup costs of A2E LLC.

Leases

On May 17, 2010 the Company entered into a lease agreement in Tishomingo County in Mississippi for a portion of the Tri-State Commerce Park. The lease is for a 65 acre portion of the 3,500 acre property as well as 3,500 sq/ft of furnished office space. At the Company's option it may lease additional portions of the properties under similar terms and conditions. The office space has minimum lease payments of \$4,200 annually.

Additional lease payments for the 65 acres being leased are calculated as 5% of gross revenue or \$1,000 per month, whichever is greater, for onsite projects with annual payments capped at \$350,000 once 20 full time employees are hired and \$250,000 once 30 full time employees are hired.

The Company entered into the following leases in Texas and the Sonora and Campeche areas of Mexico:

Effective Date	Lease	Location	Acres	Annual Rental Payment (0-3 years) common shares	Annual Rental Payment (3-25 years)	Optional Purchase Price	Original Lease Term
June 1, 2010	Mexico #1	Senora, Mexico	12,105	\$1,000,000	\$1,000,000	\$10,000,000	25
June 1, 2010	Mexico #2	Campeche, Mexico	897	\$76,000	\$76,000	\$760,000	25
April 12, 2010	Texas #1	Beaumont, Texas, USA	14	\$15,000	\$15,000	\$300,000	25

Lease payments for the first three years from the effective date of the lease are payable in common stock of the Company. Subsequent years are payable with equity in onsite development projects. If lessor declines payment with equity in onsite developments then the lease payments, at the option of the Company, are payable in cash or common stock of the Company. At the end of the first three years, if the value of the shares issued has a fair market value of less than \$1.00 per share, the Company will be required to pay the difference in cash or additional shares of the Company. Until the properties are utilized, developed, or improved by the Company, the landlord is responsible for maintenance, taxes, and insurance on all of the properties. The Company has the option to purchase the land, payable in cash or common shares of the Company, at any time.

On November 30, 2010, the Company assigned the leases to Z Carbon Companies Corp, a company with common shareholders and directors. The shares of the Company required to be issued in the original lease will be transferred from shares already issued to directors and officers on behalf of Z Carbon. Z Carbon Companies Corp. is considered a Special Purpose Entity (“SPE”) in accordance with *SIC-12 Consolidation – Special Purpose Entities* because Z Carbon is controlled by officers and directors of the Company. Its accounts have been consolidated into these consolidated financial statements. Z Carbon made an annual lease payment for the nine months ended May 31, 2013 which is included in the statement of financial position and holds no other assets or liabilities other than the leases.

The leases may be terminated by the Company after the initial 3-year term, upon sixty days’ notice by the lessee.

Included in accounts payable and accrued liabilities at May 31, 2013 is \$1,468,249 related to unpaid leases. Lease expense recognized in general and administrative expense for the nine months ended May 31, 2013 was \$818,253.

Financial Risk Factors

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk (interest rate risk and currency risk).

Fair values

The Company's financial instruments include cash and cash equivalents, amounts receivable, advances and accounts payable. The fair values of the financial instruments approximates their carrying values.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and amounts recoverable. Cash deposits are maintained with a financial institution of reputable credit and are redeemable on demand. Accounts receivable at May 31, 2013 is \$2,733,201. The Company evaluates the credit worthiness of its partners and establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. As at May 31, 2013 and August 31, 2012 no allowance was considered necessary as most of the Company's receivables are bonded.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. As at May 31, 2013, the Company has a working capital deficiency of \$1,995,825. The Company manages liquidity risk through the management of its capital structure.

Interest-Rate Risk

The Company earns an immaterial amount of interest income, and The Company has a revolving line of credit for up to \$350,000 from the International Bank of Commerce with a maturity date of April 25, 2012. Interest is New York prime rate + 1% with a minimum interest of 5.75% per annum. New York Prime rate is 3.25% as of the date of this report. As of May 31, 2013, the Company has drawn \$335,025 (August 31, 2012 - \$335,400) from the facility. A director and officer of the Company has placed a personal guarantee on this facility.

Other Material Facts

To the knowledge of management of the company, there are no other material facts about the company that are not elsewhere disclosed herein and which are necessary in order for this MD&A to contain full, true and plain disclosure of all material facts relating to each of the company.

Subsequent Events

There have been no subsequent events from May 31, 2013 to the date of this report.

Other

Additional information relating to the Company's operations and activities can be found by accessing the Company's other public documents filed on SEDAR at www.sedar.com and at otcm Markets.com.