FINANCIAL STATEMENTS

TERRABIOGEN TECHNOLOGIES INC.

(Expressed in Canadian Dollars)

For the nine months ended March 31, 2014

(Unaudited – Prepared by Management)

Notice: These interim financial statements have been prepared by management and they have not been reviewed by the Company's external auditors

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of TerraBioGen Technologies Inc. for the nine months ended March 31, 2014 have been prepared by management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the interim financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRABIOGEN TECHNOLOGIES INC.
INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

	March 31, 2014	June 30, 2013
ASSETS		
Current		
Cash	$ -	$ 115,737
Amounts receivable (Note 6)	8,275	12,841
Deposits and prepaid expenses (Note 7)	-	12,416
CURRENT ASSETS	8,275	140,994
Property and equipment (Note 8)	379,256	470,128
Long term assets	39,364	23,144
TOTAL ASSETS	$ 426,895	$ 634,266
LIABILITIES		
Current		
Bank loans	$ 9,550	$ -
Accounts payable and accrued expenses	147,399	327,700
Customer deposits	100,000	100,000
Term loan (Note 10)	-	81,231
CURRENT LIABILITIES	256,949	508,931
Provision for dismantling (Note 11)	5,941	5,816
TOTAL LIABILITIES	262,890	514,747
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	37,467,341	36,326,110
Commitment to issue shares (Note 13)	70,000	210,000
Contributed surplus (Note 13)	1,861,374	1,861,374
Deficit	(39,234,710)	(38,277,965)
SHAREHOLDERS' EQUITY (DEFICIENCY)	164,005	119,519
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 426,895	$ 634,266

Operations (Note 1)
Commitments (Note 15)
Subsequent Events (Note 19)

These interim financial statements were approved for issue by the Board of Directors on May 13, 2014 and are signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

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

TERRABIOGEN TECHNOLOGIES INC.
INTERIM STATEMENTS OF COMPREHENSIVE LOSS
For the Nine Months ended March 31
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months 2014	Nine months 2013	**Three months 2014**	Three months 2013
REVENUE				
Other income	**$ 420**	$ 6,461	**$ 20**	$ 998
	420	6,461		998
EXPENSES				
Research and development	**410,063**	296,084	**106,486**	119,903
Administration	**407,229**	339,503	**116,401**	137,473
Depreciation	**103,584**	314,316	**37,590**	38,212
Interest	**3,585**	3,350	**493**	1,033
Accretion on provision for dismantling (Note 13)	**125**	3,166	**44**	241
Plant and operations	**-**	494,733	**-**	67,927
Interest on long term debt	**-**	2,166	**-**	541
	924,586	1,453,318	**261,014**	365,330
OTHER ITEMS				
Gain on sale of assets	**410**	12,372	**410**	12,372
Gain on reduction of decommissioning provision	**-**	67,654	**-**	-
Impairment of property and equipment	**(32,989)**	-	**(32,989)**	-
	(32,579)	86,487	**(32,579)**	13,370
NET LOSS	**(956,745)**	(1,366,831)	**(293,573)**	(351,960)
Deficit, beginning of period	**(38,277,965)**	(36,437,130)	**(38,941,137)**	(37,452,001)
DEFICIT, end of period	**$(39,234,710)**	$(37,803,961)	**$(39,234,710)**	$(37,803,961)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	**$ (0.63)**	$ (0.99)	**$ (0.18)**	$ (0.25)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,516,182**	1,399,388	**1,619,377**	1,382,618

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

TERRABIOGEN TECHNOLOGIES INC.
INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
For the Periods Ended March 31
(Expressed in Canadian Dollars)

	Common shares					
	Number of Shares	Amount	Commitment to Issue Shares	Contributed Surplus	Deficit	Total Equity
Balance at July 1, 2012	1,374,495	$ 34,967,762	$ -	$ 1,844,734	$ (36,437,130)	$ 375,366
Shares issued for cash	90,000	900,000	-	-	-	900,000
Share issue costs	-	(255)	-	-	-	(255)
Shares repurchased	(107)	(1,177)	-	-	-	(1,177)
Share-based compensation	-	-	-	22,325	-	22,325
Comprehensive loss for the period	-	-	-	-	(1,366,831)	(1,366,831)
Balance at March 31, 2013	1,464,388	$ 35,866,330	$ -	$ 1,867,059	$ (37,803,961)	$ (70,572)
Balance at July 1, 2013	1,510,388	$ 36,326,110	$ 210,000	$ 1,861,374	$ (38,277,965)	$ 119,519
Shares issued for cash	106,000	1,060,000	(140,000)	-	-	920,000
Shares issued for debt	8,123	81,231				81,231
Comprehensive loss for the period	-	-	-	-	(956,745)	(956,745)
Balance at March 31, 2014	1,624,511	$ 37,467,341	$ 70,000	$ 1,861,374	$ (39,234,710)	$ 164,005

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

TERRABIOGEN TECHNOLOGIES INC.
INTERIM STATEMENTS OF CASH FLOWS
For the Nine Months ended March 31
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months 2014	Nine months 2013	**Three months 2014**	Three months 2013
OPERATIONS				
Net Income (Loss)	**$ (957,404)**	$ (1,366,831)	**$ (293,573)**	$ (351,960)
Items not involving cash:				
Amortization	**103,584**	314,316	**37,590**	38,212
Accretion on provision for dismantling	**125**	3,166	**44**	241
Stock-based compensation	**-**	22,325	**-**	897
Impairment of property and equipment	**32,989**	-	**32,989**	-
Gain on reduction of decommissioning provision	**-**	(67,654)	**-**	-
	(820,706)	(1,094,678)	**(223,610)**	(312,610)
Changes in non-cash working capital balances:				
Decrease in prepaid expenses and deposits	**12,416**	18,284	**4,497**	4,248
Increase (decrease) in accounts payable and accrued expenses	**(180,301)**	(36,329)	**(61,185)**	(51,998)
Decrease (increase) in accounts receivable	**4,566**	39,054	**(3,227)**	29,631
	(984,025)	(1,073,669)	**(283,525)**	(331,729)
INVESTING				
Increase in patents	**(16,220)**	(15,832)	**(3,258)**	(776)
Decrease (increase) in other assets	**-**	6,510	**-**	21,146
Increase in property and equipment	**(45,700)**	(245,421)	**(30,369)**	(137,435)
	(61,920)	(254,743)	**(33,627)**	(117,065)
FINANCING				
Common shares issued, less issue costs	**1,060,000**	899,745	**210,000**	899,745
Increase (decrease) in commitments to issue shares	**(140,000)**	-	**70,000**	(650,000)
Repurchase of shares	**-**	(1,177)	**-**	-
Increase (decrease) in bank loans	**9,550**	25,581	**9,550**	25,581
Decrease in deferred rent	**-**	(12,501)	**-**	(4,167)
Reduction against plant dismantling	**-**	(156,957)	**-**	(4,707)
	929,550	754,691	**289,550**	266,452
Increase (decrease) in cash and cash equivalents	**(115,737)**	(573,721)	**(26,943)**	(181,340)
Cash and cash equivalents, beginning of period	**115,737**	573,721	**26,943**	181,340
CASH AND CASH EQUIVALENTS, end of period	**$ -**	$ -	**$ -**	$ -

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

TERRABIOGEN TECHNOLOGIES INC.
INTERIM STATEMENTS OF EXPENSES
For the Nine Months ended March 31
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months 2014	Nine months 2013	**Three months 2014**	Three months 2013
ADMINISTRATION:				
Wages and consulting fees	**$ 219,956**	$ 152,597	**$ 62,555**	$ 71,192
Office expenses	**63,563**	49,134	**17,694**	16,704
Accounting and professional fees	**50,500**	45,500	**15,000**	15,000
Rent and utilities	**22,587**	-	**7,822**	-
Stock option expense	**-**	22,325	**-**	897
Legal fees	**19,508**	20,034	**3,949**	3,939
Transfer agent and regulatory fees	**10,012**	12,344	**3,695**	3,187
Directors fees and expenses	**10,103**	8,971	**3,200**	1,804
Travel & entertainment	**11,000**	9,207	**3,146**	4,859
Other expenses	**-**	19,391	**-**	19,391
	$ 407,229	$ 339,503	**$ 117,061**	$ 137,473
RESEARCH AND DEVELOPMENT:				
Wages	**$ 176,918**	$ 174,933	**$ 55,001**	$ 57,990
Contractors and growing trials	**143,913**	120,882	**20,421**	50,273
Rent and utilities	**73,921**	-	**25,597**	-
Supplies, maintenance, and travel	**44,038**	33,741	**10,851**	19,374
Patent costs	**736**	11,536	**736**	-
Government assistance (note 17)	**(29,463)**	(45,008)	**(6,120)**	(7,734)
	$ 410,063	$ 296,084	**$ 106,486**	$ 119,903
PLANT AND OPERATIONS:				
Wages and contractors	**$ -**	$ 184,191	**$ -**	$ 28,717
Plant design development	**-**	85,900	**-**	-
Supplies & materials	**-**	73,184	**-**	611
Rent & Property Tax	**-**	88,444	**-**	29,815
Power, water and sewer	**-**	38,309	**-**	8,598
Repairs and maintenance	**-**	24,705	**-**	186
	$ -	$ 494,733	**$ -**	$ 67,927

1. OPERATIONS

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993; on January 21, 2011, the Company changed its name from International Bio Recovery Corp. The Company's shares were traded on the TSX Venture Exchange until June 12, 2012 when they were delisted at the Company's request.

The Company has identified active ingredients that impart growth promotion and disease suppression in plants, and is planning to commercialize this technology. The Company closed its pilot plant in North Vancouver, British Columbia in 2013 and moved to a new facility in Burnaby, British Columbia which is used for research and development, and to provide product for growing trials.

These interim financial statements have been prepared on a going concern basis. The Company had a working capital deficit of $248,674 and an accumulated deficit of 39,234,710 as at March 31, 2014 and a net cash outflow from operating and investing activities of $1,045,945 for the nine months ended March 31, 2014. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, the continued support of its shareholders, obtaining additional financing, and ultimately, generating profitable operations and positive operating cash flows. Failure to obtain sufficient financing or other appropriate arrangements would require the Company's assets and liabilities to be restated on a liquidation basis which would differ significantly from the going concern basis. These interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern.

The address of the Company's corporate office and principal place of business is 8536 Baxter Place, Burnaby, BC V5A 4T8.

2. BASIS OF PRESENTATION

Statement of Compliance

These interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

Approval of the Financial Statements

The interim financial statements of the Company for the nine months ended March 31, 2014 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on May 13, 2014.

Basis of Presentation

These interim financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities that have been measured at fair value as described in Note 3. The accounting policies applied in these interim financial statements as described below, have been applied consistently to all periods presented as if the policies have always been in effect.

The comparative figures presented in these interim financial statements are in accordance with IFRS.

Use of estimates

The preparation of these financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates include the fair value of property and equipment, deferred income tax asset valuations, provision for dismantling, and fair value measurements for financial instruments and share-based compensation. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition – The Company earns revenue from interest on funds in its bank accounts. Revenue is recognized when the significant risks and rewards are transferred to the customers, persuasive evidence of the arrangement exists, the price is fixed and determinable and collection of the relevant receivable is probable, which is generally at the completion of the transaction.

Cash and cash equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and equipment – Property and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. The depreciation is determined based on the following annual rates:

Leasehold improvements	straight-line
Laboratory equipment	20 - 30% declining balance
Other equipment	20 - 30% declining balance
Mobile equipment	30% declining balance

One-half of the above rates are applied in the year of acquisition.

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are recognized in the statements of loss and comprehensive loss.

Research and development – Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets criteria for deferral and depreciation.

Government assistance – Government grants are recognized and recorded as a reduction of research and development expenses where there is reasonable assurance that the grant will be received and all attaching conditions are complied with. Reimbursements of eligible costs pursuant to government corporate programs are recorded as a reduction of total costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Claims not settled by the statement of financial position date are recorded as a receivable on the statement of financial position. The determination of the amount of the claim, and hence the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government and corporate agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term dependent on the review and audit by the government agency. Any funds received in advance of expenditures or eligibility requirements are recorded as deferred contributions on the statement of financial position and adjusted as subsequent claims are made by the Company.

If a grant becomes repayable, it will be treated as a change in estimate. Where the original grant related to income, the repayment should be applied first against any related undepreciated deferred contributions, and any excess will be recognized as an expense.

Leases – Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as capital leases. At the inception of a capital lease, the equipment and an obligation is recorded at its fair value. Equipment under a capital lease is depreciated on a declining-balance basis at rates varying from 20 to 30% per annum, which approximates the equipment's estimated useful life. All other leases are classified as operating leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning provisions – The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established. As at March 31, 2014, the Company had recognized a provision for dismantling of $5,816 as described in Note 11.

Impairment – The carrying amounts of the Company's property and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Deferred income taxes – The Company utilizes the asset and liability method of accounting for income taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities, and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation – The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based compensation is charged to the statement of operations and comprehensive income (loss) with a corresponding credit recorded to contributed surplus. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive loss/income over the remaining vesting period.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Share capital – Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity. Equity instruments issued to agents as financing costs are measured at their fair value at the date of grant.

Foreign currency translation – The functional currency of the Company, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Foreign denominated monetary assets and liabilities are translated at the year-end rates of exchange. Non-monetary items are translated using the exchange rates prevailing at the date of the transaction. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are recognized in the statement of operations and comprehensive loss.

Earnings per share – Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury stock method in which the dilutive effect on loss per share is recognized based on the proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year.

Financial instruments – All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified at fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. At December 31, 2013, the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with financial assets classified at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial liabilities are initially recorded at fair value and designated upon inception at fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payables, customer deposits and term loan are classified as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities classified at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At March 31, 2014, the Company has not classified any financial liabilities at fair value through profit or loss.

4. NEW ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended March 31, 2014, and have not been applied in preparing these interim financial statements.

a) Effective for annual periods beginning on or after July 1, 2013:

New standard IFRS 11, "Joint Arrangements"

In May 2011, the IASB issued IFRS 11 to replace IAS 31, "Interest in Joint Ventures". The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting.

New standard IFRS 12, "Disclosure of Interest in Other Entities"

In May 2011, the IASB issued IFRS 12. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

New standard IFRS 13, "Fair Value Measurement"

In May 2011, the IASB issued IFRS. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price.

b) Effective for annual period beginning on or after July 1, 2015:

New standard IFRS 9, "Financial Instruments"

Partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

The Company has not early adopted these revised standards and is currently assessing the impact they will have on the interim financial statements.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable, customer deposits, loans payable, and term loan.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	March 31, 2014		June 30, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
FVTPL asset (i)	$ -	$ -	$ 115,737	$ 115,737
Other financial liabilities (ii)	$ 156,949	$ 156,949	$ 399,337	$ 399,377

i) Cash
ii) Accounts payable, customer deposits, loans payable, and term loan

Fair value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash	$ -	$ -	$ -	$ -

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

Foreign exchange risk

Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At March 31, 2014 and June 30, 2013, the Company had no significant foreign currency denominated assets or financial liabilities.

Interest rate risk

The Company is subject to interest on its bank loans and shareholder loans which are at negotiated rates of interest. Significant increase in these interest rates would result in increased costs for the Company.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are subject to normal trade terms.

6. AMOUNTS RECEIVABLE

	March 31, 2014	June 30, 2013
Goods and Services Tax	$ 2,077	$ 11,040
Other	6,198	1,801
	$ 8,275	$ 12,841

7. DEPOSITS AND PREPAID EXPENSES

	March 31, 2014	June 30, 2013
Prepaid insurance premiums	$ -	$ 4,513
Deposits	-	7,313
Other	-	590
	$ -	$ 12,416

8. PROPERTY AND EQUIPMENT

Nine months ended March 31, 2014

	Laboratory equipment	Mobile Equipment	Leasehold improvements	Other	Total
Costs					
Balance, July 1, 2013	$ 614,340	$ 12,115	$ 93,426	$ 189,907	$ 909,788
Additions and transfers	41,214	-	2,184	2,302	45,700
Impairment	(32,989)				(32,989)
Balance, Mar. 31, 2014	$ 622,565	$ 12,115	$ 95,610	$ 192,209	$ 922,499
Accumulated depreciation					
Balance July 1, 2013	$ 266,487	$ 1,817	$ 1,825	$169,531	$439,660
Depreciation	79,261	2,317	18,018	3,988	103,584
Balance, Mar. 31, 2014	$ 345,748	$ 4,134	$ 19,843	$173,519	$543,244
Carrying amount at Mar. 31, 2014	$ 276,817	$ 7,981	$ 75,767	$ 18,690	$ 379,255

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT (continued)

Year ended June 30, 2013

	Plant and equipment	Mobile Equipment	Laboratory equipment	Office building	Leasehold improvements	Other	Total
Costs							
Balance, July 1, 2012	$ 4,901,173	$ 356,192	$ 357,664	$ 140,706	$ -	$ 195,672	$5,951,407
Additions and transfers	-	12,115	256,676	-	93,426	6,952	369,169
Change in estimate	(52,144)	-	-	-	-	-	(52,144)
Disposition	(4,849,029)	(356,192)	-	(140,706)	-	(12,717)	(5,358,644)
Balance, June 30, 2013	$ -	$ 12,115	$ 614,340	$ -	$ 93,426	$ 189,907	$909,788
Accumulated depreciation							
Balance July 1, 2012	$ 4,573,012	$ 342,313	$ 181,084	$ 125,123	$ -	$176,218	$5,397,750
Depreciation	276,017	4,940	85,403	15,583	1,825	6,030	389,798
Disposition	(4,849,029)	(345,436)	-	(140,706)	-	(12,717)	(5,347,888)
Balance, June 30, 2013	$ -	$ 1,817	$ 266,487	$ -	$ 1,825	$169,531	$439,660
Carrying amount at June 30, 2013	$ -	$ 10,298	$ 347,853	$ -	$ 91,601	$ 20,376	$ 470,128

The Company dismantled its pilot line which had been held in storage, and retained some components for future use. The Company recorded an impairment charge of $32,989 for the nine months ended March 31, 2013 (2013 - $Nil).

9. BANK LOAN

The Company has a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a $100,000 operating loan which bears interest at the bank's prime rate plus 1.25% per annum and is payable on demand. The loan is secured by a general security agreement providing a first security interest in all of the Company's assets and ranks ahead of all other loans. As at March 31, 2014, the Company had drawn $9,550 against this credit facility (June 30, 2013 - $Nil).

10. TERM LOAN

In December 2010, the Company converted $81,231 of accrued interest on loans payable into a term loan. This term loan bears interest at 4% per annum and was repayable by October 31, 2013. On October 31, 2013, the Company converted the Term Loan into 8,123 units consisting of 8,123 common shares and 8,123 warrants exercisable at $12.00 per share expiring in five years.

(Expressed in Canadian Dollars)

11. PROVISION FOR DISMANTLING

The Company is required to dismantle certain parts of its leasehold improvements when it vacates its premises in Burnaby at the end of the lease term.

In order to vacate its previous premises in North Vancouver in June 2013, the Company needed to dismantle and move certain parts of its plant and equipment.

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the provision for dismantling associated with property and equipment, and leasehold improvements:

	Nine months ended March 31, 2014	Year ended June 2013
Opening balance	$ 5,816	$ 350,649
Addition	-	5,816
Reduction in dismantling provision	-	(119,798)
Actual costs incurred against provision	-	(234,017)
Accretion expense	125	3,166
Ending balance	$ 5,941	$ 5,816

During the year ended June 30, 2013, the Company reduced the decommissioning provision as a result of a revision in the estimated obligation. This reduction resulted in a reduction of $52,144 in the capitalized dismantling provision (see Note 8) and $44,017 was recorded as a loss on change in dismantling provision.

The amounts in the nine months to March 31, 2014 relate to dismantling of the leasehold improvements at the current premises in Burnaby at the end of the lease term.

13. SHARE CAPITAL

Authorized Share Capital

On December 3, 2013, the Company's shareholders approved new Articles of Incorporation and the Company now has authorized share capital of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. None of the preferred shares have been issued.

Issued and outstanding: See Statement of Changes in Equity.

The following share transactions occurred:

a) On March 7, 2013, the Company issued 90,000 units at a price of $10.00 per unit for gross proceeds of $900,000. Each unit consisted of one common share and one warrant exercisable at $12.00 per share until March 7, 2018.

b) On May 31, 2013, the Company issued 41,000 units at a price of $10.00 per unit for gross proceeds of $410,000. Each unit consisted of one common share and one warrant exercisable at $12.00 per share until May 31, 2018.

c) On September 9, 2013, the Company issued 43,000 units at a price of $10.00 per unit for gross proceeds of $430,000. Each unit consisted of one common share and one warrant exercisable at $12.00 per share until September 5, 2018. As at June 30, 2013, the Company had received $210,000 towards this financing.

d) On October 23, 2013, the Company issued 42,000 units at $10.00 per unit for gross proceeds of $420,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until October 25, 2018.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (continued)

e) On January 23, 2014, the Company issued 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until January 22, 2019.

f) At March 31, 2014, the Company had received subscriptions of $70,000 towards a private placement of 21,000 units at $10.00. Each Unit consists of one common share and one warrant exercisable at $12.00 for 5 years.

See Note 19.

Shares for Debt

On May 31, 2013, the Company issued 5,000 common shares at a price of $10.00 per share and 5,000 share purchase warrants exercisable at a price of $12.00 until May 31, 2018 to convert $50,000 of amounts payable.

On October 31, 2013, the Company issued 8,123 common shares at a price of $10.00 per share and 8,123 share purchase warrants exercisable at a price of $12.00 until October 31, 2018 to convert a term loan of $81,231.

No value was allocated to the warrants included in the above-noted unit offerings given that the warrants had no intrinsic value at the time of issuance of the unit offerings.

Warrants – Details of share purchase warrants during the periods ended March 31, 2014 and June 30, 2013 are as follows:

	Nine Months Ended March 31, 2014		Year Ended June 30, 2013	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	**246,249**	**$ 13.34**	391,854	$ 13.52
Issued	**114,123**	**12.00**	136,000	12.00
Expired	**(110,249)**	**15.00**	(281,605)	12.95
Outstanding, end of period	**250,123**	**$ 12.00**	246,249	$ 13.34

During the year ended June 30, 2013, an aggregate of 136,000 warrants were issued at an exercise price of $12.00 and 281,605 warrants had expired. No warrants were exercised or forfeited. During the nine months ended March 31, 2014, 135,123 warrants were issued at an exercise price of $12.00 and 110,249 warrants expired. No warrants were exercised or forfeited. As at March 31, 2014 and June 30, 2013, the intrinsic value of the warrants were $Nil.

As at March 31, 2014, the Company had share purchase warrants outstanding and exercisable as follows:

Number of Warrants Outstanding and Exercisable			
March 31, 2014	June 30, 2013	Exercise Price per Share	Expiry Date
90,000	90,000	$12.00	March 7, 2018
46,000	46,000	$12.00	May 31, 2018
43,000	-	$12.00	Sept. 5, 2018
42,000	-	$12.00	Oct. 25, 2018
8,123	-	$12.00	Oct. 31, 2018
21,000	-	$12.00	Jan. 22, 2019
250,123	246,249		

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (continued)

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Plan") instituted in 1999 and amended, most recently in December 2013. Options issued pursuant to the Plan have an exercise price as determined by the Board. Options have a maximum expiry period of ten years from the grant date. The number of options, which may be issued under the plan, is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. The aggregate number of options granted to any one optionee in a twelve-month period is limited to 5% of the Company's issued shares at the time the options are granted. Options granted under the plan are subject to vesting terms determined by the Board of Directors of the Company.

A summary of the Company's stock options at March 31, 2014 and June 30, 2013 and the changes for the periods ended on those dates is presented below:

	March 31, 2014		June 30, 2013	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	68,000	$15.40	73,000	$15.61
Forfeited or expired	(8,500)	(15.00)	(5,000)	(18.50)
Ending balance	59,500	$15.44	68,000	$15.40

As at March 31, 2014, the Company had the following stock options outstanding and exercisable:

Quantity		Exercise	
Outstanding	Exercisable	Price	Expiry Date
2,500	2,500	$50.00 (a)	May 31, 2014
2,000	-	$75.00 (b)	May 31, 2015
20,000	20,000	$12.00	July 5, 2015
14,000	14,000	$10.00	July 5, 2015
16,000	16,000	$12.00	Dec 15, 2015
5,000	5,000	$12.00	Oct 3, 2016
59,500	**57,500**		

The weighted average contractual life remaining on the above options is 1.42 years (June 30, 2013 – 1.93 years).

The Company did not grant any options to directors and officers during the year ended June 30, 2013 nor the nine months ended March 31, 2014. Total share-based compensation for the nine months ended March 31, 2014 was $Nil (year ended June 30, 2013 - $16,640) which has been expensed to the statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

For the nine months ended March 31, 2014 and 2013, the Company has identified its directors and senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The compensation costs for key management personnel for the nine months ended March 31, 2014 and 2013 are as follows:

	2014	2013
Salaries and benefits	$ **255,470**	$ 347,148
Share-based compensation	-	22,325
	$ **255,470**	$ 369,473

Other related party transactions during the nine months ended March 31, 2014:

a) Consulting fees of $47,500 (2013 - $47,500) were expensed for services provided by a company controlled by an officer, and consulting fees of $10,650 (2013 - $14,700) were expensed for services provided by a director.

b) Accounts payable and accrued expenses include fees payable to directors of $8,200 (2013 - $3,200). Fees to directors of $8,800 (2013 - $7,000) were expensed during the nine months months, and fees of $8,000 (2013 - $16,600) were paid to directors during the nine months ended March 31, 2014.

15. COMMITMENTS

The Company signed a lease for premises located in Burnaby, British Columbia. The lease is for a four-year term which commenced on June 1, 2013 with a renewal option for an additional four year term. The remaining commitment for rent and operating costs over the initial term is $405,652; the Company has paid a security deposit of $7,612 which will be applied against the final month's rent.

16. GOVERNMENT ASSISTANCE

The Company has received assistance or signed Contribution Agreements under a number of government programs including the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), Agriculture Adaption Council's Canadian Agricultural Adaption Program (CAAP), and the National Research Council of Canada's Youth Internship Program (NRC-Intern). The government grant receivables balance as at March 31, 2014 and June 30, 2013 are mentioned in Note 6.

Details of each of these programs are as follows:

- The Company has a Contribution Agreement with NRC-IRAP to support the Company's research and development program for $40,750 with an expiry date, as amended, to December 31, 2014. For the nine months ended March 31, 2014, the Company submitted claims totalling $3,000 and $1,615 of this amount is included in accounts receivable as at March 31, 2014. A balance of $12,000 remains under the Agreement and the Company anticipates that it will claim this amount.

- The Company has signed an Agreement with CAAP for growing trials with a maximum contribution of $23,344 and an expiry date of October 31, 2013 For the nine months ended March 31, 2014, the Company submitted a claim for $23,343 and no balance remains under the Agreement

(Expressed in Canadian Dollars)

16. GOVERNMENT ASSISTANCE (continued)

- The Company has signed a Contribution Agreement with NRC-Intern for the salary of a recent graduate student working in the Company's research department, for a maximum amount of $20,000 until December 15, 2014. The Company has filed a claim for $3,120 under this agreement and this amount is included in accounts receivable as at March 31, 2014.

17. SEGMENTED INFORMATION

The Company operates in one operating segment which encompasses research and development to identify and characterize the active ingredients in its products, and corporate activities to support research and development. Distribution of the operating results in the Company's main areas of focus are as follows:

March 31, 2014	Research & Development	Corporate	Total
Total assets	281,549	145,346	426,895
Property and equipment	276,817	102,438	379,255
Revenues	-	420	420
Net loss	(522,313)	(434,432)	(956,745)
Property and equipment additions	41,214	4,486	45,700
Depreciation	79,261	24,323	103,584
Interest expense	-	3,585	3,585
Accretion expense	-	125	125

March 31, 2013	Plant & Operations	Research & Development	Corporate	Total
Total assets	71,751	333,639	53,523	458,914
Property and equipment	71,751	296,545	18,808	387,105
Revenues	17,893	-	68,504	86,487
Net loss	(724,008)	(348,364)	(294,459)	(1,366,831)
Property and equipment additions	12,115	232,942	650	245,707
Depreciation	244,092	52,280	17,944	314,316
Interest expense	-	-	5,516	5,516
Accretion expense	3,166	-	-	3,166

All of the Company's property and equipment is located in Canada.

18. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements. The Company manages the components of shareholders' equity and its liabilities including shareholder loans and its bank line of credit as capital, and makes adjustments to these components in response to the Company's business objectives and the economic climate. To maintain or adjust its capital structure, the Company may attempt to issue new common shares from treasury, issue debt instruments or borrow money.

The Company expects its current capital resources, together with the proceeds from planned additional equity fundraising, will be sufficient to carry out its operations through its next operating period.

The Company does not anticipate the payment of dividends in the foreseeable future.

19. SUBSEQUENT EVENTS

a) On April 24, 2014, the Company completed a private placement of 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until April 23, 2019.

b) In May, 2014, the Company received subscriptions totalling $105,000 towards an additional private placement of 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share for 5 years.

TERRABIOGEN TECHNOLOGIES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the nine months ended March 31, 2014

TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 2014

Background

This discussion and analysis of financial position and results of operations is prepared as at May 13, 2014. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements of TerraBioGen Technologies Inc. (the "Company") as at and for the nine months ended March 31, 2014 and related notes thereof which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.terrabiogen.com.

Description of the Business

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993; on January 21, 2011, the Company changed its name from International Bio Recovery Corp. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company has developed technologies for the production of innovative, high value, environmentally progressive agricultural and horticultural bio-products that improve crop health and yields, and suppress crop disease. TerraBioGen has a research and development facility in Burnaby, near Vancouver, British Columbia where product development and, plant growth room and greenhouse trials are conducted. In addition, the facility houses a laboratory pilot line for production process development to provide product for crop research and market development.

The Company is committed to research and development to continue to improve the effectiveness of its technologies, the quality of its products, and the creation of new product lines. Through collaborations with some of the leading agricultural institutes in North America and funding from the Canadian government's NRC-IRAP Program, TerraBioGen is gaining an understanding of the active ingredients in its products that are responsible for the improved crop yields and suppression of disease. Further, the Company is taking steps to secure intellectual property rights to these active ingredients and to formulate then in order to fully commercialize their potential.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overall Performance

The Company is a development company with minimal revenues to date from its activities.

The following selected financial information is derived from the unaudited interim financial statements of the Company.

Quarterly Financial Results

	2014			2013				2012
	Jan-Mar/14	Oct–Dec/13	July-Sept/13	Apr-Jun/13	Jan-Mar/13	Oct–Dec/12	July-Sept/12	Apr-Jun/12
	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Other income	$ 20	$ 143	$ 257	$ 230	$ 104	$ 3,614	$ 1,849	$ 10,250
Expenses	261,014	373,143	290,429	404,092	365,330	559,534	528,454	822,085
Loss on change in decommissioning prov.	-	-	-	-	-	(44,017)	-	-
Gain on sale of assets	-	-	-	42,423	12,372	-	-	-
Impairment of assets	(32,989)	-	-	-	-	-	-	-
Net Income (Loss)	(293,579)	(373,000)	(290,172)	(362,333)	(351,960)	(598,707)	(527,835)	(811,835)
Net Income (Loss) per share	$ (0.18)	$ (0.23)	$ (0.19)	$ (0.24)	$ (0.25)	$ (0.44)	$ (0.38)	$ (0.70)
	Mar. 31/14	Dec. 31/13	Sept. 30/13	June 30/13	Mar. 31/13	Dec. 31/12	Sept. 30/12	June 30/12
Total assets	426,895	*492,059*	486,924	634,266	458,914	595,280	630,767	1,247,203
Long term liabilities	5,941-	5,897	5,867	5,816	-	-	81,231	81,231

Comparison of the nine months ended March 31, 2014 to the nine months ended March 31, 2014

The comparative numbers are impacted by the closure of prior plant operations in the second quarter of 2012, resulting in no costs for plant in the current fiscal year. During the first six months of the year ended June 30, 2013, the Company was running its pilot production line.

During the nine months ended March 31, 2014, the Company recorded other income of $420 compared to other income of $6,461 in the year earlier. Total expenses during the current year were $924,586 compared to $1,453,318 in the same period last year, a decrease of $528,732. Most of this reduction was due to the closure of the plant as plant and operations costs decreased from $494,733 to $Nil and administration costs increased by $67,726, research & development costs increased by $113,979, and depreciation costs decreased by $210,732 from the previous year.

The administration cost increase of $67,726 resulted almost entirely from increases of $67,359 in wages and consultants due to the addition of a business development person and the transfer of a plant individual, and decreases of $19,391 associated with the move to a new locations, and rent of $22,587 (approximately 25% of rental and utilities costs are being allocated to administration whereas in previous periods, they were fully charged to plant and operations). The Company has not granted stock options since October 2011 and no stock based compensation was incurred compared to $22,325 in the nine months ending March 31, 2013.

The research and development cost increase of $113,979 resulted from rental costs of $73,921 (approximately 75% of rental and utilities costs are being allocated to research and development), an increase of $23,031 in contractor and growing trials due to a more extensive growing trial program, and a decrease in grants of $15,545.

Depreciation costs were significantly lower as the plant, including dismantling costs, and the attached office building were fully depreciated by June 30, 2013.

In the current year, the Company recorded an impairment loss of $32,989 as it dismantled most of its Sony plant that had been held in storage. In the first nine months of 2013, the Company changed its decommissioning provision, recording a gain of $67,654, and also realized a gain of $12,372 on the sale of assets. The net loss for the current nine month period was $956,745 or $0.63 per share compared to a net loss of $1,366,831 or $0.99 per share in the previous year.

Comparison of the three months ended March 31, 2014 to the three months ended March 31, 2013

The comparative numbers are impacted by the closure of plant operations in the second quarter of 2012, resulting in no costs for plant in the current fiscal year.

During the three months ended March 31, 2014, the Company recorded other income of $20 compared to other income of $998 in the year earlier. Total expenses during the current quarter were $261,014 compared to $365,330 in the same period last year, a decrease of $104,316. Administration costs decreased by $21,072, research & development costs decreased by $13,417, plant and operations costs decreased from $67,927 to $Nil.

The administration cost decrease of $21,072 was almost totally due to costs of $19,391 in the prior year associated with the move to new premises.

The research and development costs were relatively stable with an increase of $25,597 resulted from rental costs and this was mainly offset by a reduction in contractor costs of $29,852.

The Company recorded an impairment loss of $32,989 due to the dismantling of most of its Sony plant that had been held in storage. The net loss for the current three month period was $293,573 or $0.18 per share compared to a net loss of $351,960 or $0.25 per share in the previous year.

Financial Condition

At March 31, 2014, the Company had total liabilities of $262,890, a decrease of $251,857 from June 30, 2013 primarily due to a reduction in accounts payable and accrued expenses, and the conversion of a term loan of $81,231 into shares. The Company had a working capital deficiency of $248,674 compared to a deficiency of $367,937 at June 30, 2013.

The Company is dependent on cash from new financing activities in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing or license sales and any difficulty in raising new funds from these activities will have a significant impact on the Company's ability to operate. The Company anticipates that it will be able to raise new financing to cover its operating needs.

Share Capital

As at March 31, 2014, the Company had 1,624,511 common shares outstanding; there were 250,123 share purchase warrants outstanding, all exercisable at $12.00 with expiry dates from March 7, 2018 to January 22, 2019. There were also 59,500 stock options outstanding, exercisable at prices ranging from $10.00 to $75.00 and with expiry dates ranging from May 31, 2014 to October 3, 2016. Subsequent to March 31, 2014, the Company closed one private placements of 21,000 units at $10.00 per unit for gross proceeds of $210,000, and had received subscriptions totalling $105,000 towards another private placement. In both cases, each unit consists of one common share and one warrant exercisable at $12.00 per share for 5 years.

In the year ended June 30, 2013, the Company closed private placements totalling 131,000 units at $10.00 per unit for proceeds of $1,310,000; each unit consisted of one common share and one warrant exercisable at $12.00 for a period of 5 years. In September 2013, the Company closed a private placement by issuing 43,000 units for total proceeds of $430,000. Each unit consists of one common share and one warrant exercisable at $12.00 until September 5, 2018.

Business Development

Over the past three years, the Company's primary focus has been conducting intensive research to identify and characterize the active ingredients under development. The research and development department has added additional staff and contract work and collaboration is being undertaken with several leading Canadian and US universities as well as private companies. The Company undertook an extensive growing trial program in 2013 in order to assess the efficacy of product formulations and delivery methods that will provide benefits to the grower and substantive return to the Company, and is continuing these trials during 2014.

During the last nine months to mid-June, 2013, the Company dismantled the outdated plant at its North Vancouver facility. In June, the Company moved into new premises located in Burnaby, British Columbia. The lease is for a four year term commencing with a renewal option for an additional four year term. The remaining commitment for rent and operating costs over the initial term is $405,652; the Company has paid a security deposit of $7,612 and this will be applied against the final month's rent. This facility is being used both for research and development, and business development and administrative activities. TerraBioGen is actively working on the further development, formulation and patenting of additional agriculturally bioactive compounds. The Company's growing trials over the next 18 months will focus on the formulation and delivery of these materials to a wide range of horticultural and agricultural applications.

Patents

In December 2012, the Company filed provisional patents on two of its bioactive materials and conducted further growing trials during 2013 to gather supplemental data for final patent submissions. In order to improve the strength of these patents, the company chose to withdraw and refile provisional patents for these technologies in early 2014. In September 2013, the Company filed a provisional patent on a third class of bioactive materials.

Transactions with Related Parties

During the nine months ended March 31, 2014, the Company paid fees of $47,500 for accounting and financial services to a company controlled by an officer, and consulting fees of $10,650 to a director. In addition, directors receive a fee of $200 for each meeting or committee meeting attended; directors' fees of $8,200 were expensed during the nine months ended March 31, 2014, $8,800 was paid to directors, and $2,400 is owed to directors and is included in accounts payable and accrued liabilities at March 31, 2014.

Additional Information

Additional information about TerraBioGen Technologies Inc. can be found on SEDAR at www.sedar.com or on the Company's website at www.TerraBioGen.com.