CANADA CARBON INC.

Management Discussion and Analysis
For The Six Months Ended June 30, 2013

August 13, 2013

The following discussion and analysis should be read in conjunction with the unaudited financial statements for the three and six months ended June 30, 2013 and 2012 and the audited financial statements for the years ended December 31, 2012 and 2011 and related notes included therein. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com. The Company's website can be found at www.canadcarbon.com.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Overview

Canada Carbon Inc. (formerly Bolero Resources Corp.) (the "Company" or "Canada Carbon") was a junior natural resource company focused on the acquisition and exploration of natural resource properties. The Company was incorporated under the British Columbia Company Act on August 13, 1985, and was continued under the laws of the Province of Ontario on September 19, 2007. The Company was a reporting issuer in British Columbia, Alberta and Ontario and was listed on the TSX Venture Exchange under the symbol "BRU." The Company is also listed on the Pink Sheets as BRUZF and the Frankfurt Exchange under the symbol "U7N".

During fiscal 2012, with the acquisition of graphite claims, the Company created a new business model and redesigned website. The Company began the process of positioning itself as a carbon sciences company focused on the exploration and sale of graphite.

On September 17, 2012, the Company's shareholders approved a name change to Canada Carbon Inc. to better reflect the Company's new focus. The name change became effective on October 5, 2012. The Company is currently traded on the TSX Venture Exchange under the symbol "CCB".

In early fiscal 2013, the Company decided to curtail its sales operations and focus its efforts on the exploration aspect of the business.

Overall Performance

The Company incurred a net loss for the six months ended June 30, 2013 of $539,480 compared with a net loss of $407,927 in the prior year. While there were material variances in a number of expense categories, the most significant related to share-based compensation, sales and marketing costs, write off of exploration and evaluation expenditures, sale of mineral claims and income tax recovery.

The Company’s burn rate was high between May 2012 and March 2013 as a result of the move of the head office to Oakville and consulting contracts with a number of individuals with previous graphite and sales experience. In the first quarter of fiscal 2013, given the lack of sales generated, the Company terminated the Exclusive Distribution Agreements with GEC (ASIA) Industry Co., Ltd and CGT Carbon GmbH and eliminated its sales force. In addition, the Company terminated its CEO and eliminated a number of head office positions. In April 2013, the Company assigned its office lease obligations to a third party. As of April 2013, the Company has significantly reduced its overhead expense burn rate.

The Company is utilizing its limited cash resources to focus on the development of its existing graphite properties.

On January 7, 2013, the Company entered into purchase and transfer agreements to acquire certain mining claims in relation to three properties: the Miller, Dun Raven and Walker located in Quebec, Canada. The Miller Mine is a past producer of graphite located 70km west of Montreal. This mine may have been the first graphite operation in Canada. It was worked around 1845 to at least 1900 when it was reported that a twenty-five car trainload of lump graphite was shipped from the deposit. The property consists of nine claims covering 5.4 km^2 including the past mine and similar geology around the original deposit, with road access and power nearby. The Dun Raven is a graphite deposit located near Shawville, QC, about 80km west of Ottawa. A geophysical anomaly exists of which only about 15% has been drilled. A historic resource was calculated to contain 571,532 tons of ore grading 4.72% graphite, based on the drill assays. The package consists of fifteen claims, one of which includes almost the entire anomaly. The Walker Mine is a past producer of graphite located 30 km northeast of Ottawa. The property consists of four claims covering the past mine and eleven claims covering interesting geological formations with potential graphite mineralization around the original deposit. In March 2013, the Company decided not to pursue the Walker property.

In February and March 2013, the Company conducted sampling on the Miller Mine property. The sampling yielded head grades from graphite rich veins in excess of 80% Carbon graphite (“Cg”). The Company was encouraged by the results of the initial sampling and began its Phase I work program in early May 2013. The work program, consisting of mapping and geophysical surveying comprising MaxMin electromagnetics (“EM”), resulted in the identification of 17 new conductive anomalies. To-date, trenching over one of the anomalies resulted in the discovery of a new graphite occurrence. Additional trenching and mapping of the trenches is currently underway.

The Company contracted Geotech Ltd. (“Geotech”) of Aurora, Ontario to complete a helicopter airborne Versatile Time Domain Electromagnetic (VTEM Plus) and Horizontal Magnetic Gradiometer Geophysical Survey on the Miller Lump/Vein Graphite property. The VTEM plus System is excellent for locating discrete conductive anomalies as well as mapping lateral and vertical variations in resistivity. The system offers penetration through conductive covers, spotting of drill targets from the results, excellent resistivity discrimination and detection of weak anomalies. The air borne survey has been completed and the Company is currently awaiting the detailed results.

Surface samples from the Phase I work program produced results of 99.2% Graphitic Carbon from the first series of beneficiation tests conducted at SGS Canada Inc. (Lakefield) (“SGS”). Results from a second purification test conducted at SGS using two different purification processes both yielded results exceeding the target of >99.0% Graphitic Carbon (“Cg”).

Overall Performance (Continued)

In August 2013, the Company contracted George Downing Estate Drilling Ltd. of Grenville-sur-la-Rouge, Quebec to complete at least 350 meters (m) of NQ sized diamond drill holes ("DDH") on the Miller property. The drilling is currently underway.

In the first quarter of 2013, the Company staked an additional 10 claims in the direct area and west of the Miller property. In April 2013, the Company acquired another 3 claims from a third party contiguous to the Miller Mine. An additional 5 contiguous claims were acquired in July 2013.

In March 2013, the Company announced the closing of a private placement for $500,000. In July 2013, the Company closed another private placement for $300,000. The Company will require additional funding for its work programs and operations.

Operating Activities- Exploration Properties

Asbury Graphite Property, Quebec, Canada

In August 2012, the Company entered into an agreement with Uragold Bay Resources Inc. ("Uragold" or "UBR") for the purchase of UBR's Asbury mining claims. The past producing Asbury Graphite Mine property consists of two claims and is located approximately 10km northeast of Notre-Dame-du-Laus and about 120km north of the Ottawa-Gatineau area. The terms of the agreement are disclosed in the notes to the year-end financial statements.

The Asbury Graphite Mine property is accessible by a good road and a power transmission line runs to the property. Some of the old mill structure still exists and could be refurbished to house a dry milling process.

In December 2012, the Company announced the completion of a NI 43-101 report on the Asbury Graphite Mine. This report describes the exploration potential related to the Asbury Graphite Mine. The data in the report was mostly obtained from historical assessment exploration reports. The report can be found on the Company's website.

The NI 43-101 report noted that historical exploration by various companies and subsequent resource evaluations lead to an historical production by Asbury Graphex from 1974 to 1988. Open pit mining allowed the extraction of 875,000 metric tons of graphite ore at a cut off grade of 6% on the current property. Historical geophysics (EM) over the property reveals three conductive zones, named A to C, striking north-south and thus conforming to the local bedding. Anomaly A is 825m long and 30m wide and is located west of the open pit. Anomaly B is 530m long and 35m wide and is located southwest of the open pit. This anomaly was drilled by one diamond drill hole and 40.5m of graphitic rock grading 2.30% C total was encountered, including 4.07% C total over 11.7 m. Anomaly C is 230 m long and 10 m wide and is in the open pit, going toward south. Four less important conductor axes are also present, along with a small part of another EM anomaly.

The presence of distinct graphitic rock units is compatible with the skarn deposit model, which may imply several mineralized lenses of comparable quality. In addition, significant graphite mineralization can also be present along the extensions to the south and at depth from the open pit.

The NI 43-101 report recommended follow up activities including: (1) an exhaustive map compilation of historic drilling and geophysical survey on the property (2) a detailed Max-Min geophysical ground survey to confirm and complete historical data, and, finally (3) a drilling program testing the best targets revealed by the geophysical compilation and the geophysical survey. Particular attention should also be applied to the immediate area of the mine pit to test its southern and downward extensions. A drilling program is

Operating Activities- Exploration Properties (Continued)

Asbury Graphite Property (Continued)

contingent on positive results of the data compilation and geophysical EM survey in confirming the presence of significant conductive anomalies.

As of June 30, 2013, the Company had incurred $654,379 in acquisition costs and $428,652 on exploration and evaluation expenditures on the Asbury claims.

Miller, Walker and Dun Raven Properties, Quebec, Canada

In December 2012, the Company entered into a term sheet with 9228-6202 Quebec Inc. to acquire certain mining claims in relation to three properties: the Miller, Dun Raven and Walker mines located in Quebec, Canada. A purchase and transfer agreement for each property was signed on January 7, 2013. The terms of the agreements are disclosed in the notes to the year-end financial statements.

Miller

The Miller-Graphite Mine, located in Grenville Township is a past graphite and mica producer with unknown graphite reserve left. This mine was worked around 1845 and was probably the first graphite operation in Canada. The quantity of produced graphite is unknown but it is reported that 25 rail cars of lump graphite was shipped from this deposit in the year 1900 and sent to the Globe Refining Company of Jersey City, N.J. This yielded thirty-two tons of clean crucible graphite. The Morgan Crucible Company of London and also J.H. Gauthier and Company, Jersey City, used some of this graphite in their crucibles and pronounced it equal to the best graphite known to come from Ceylon (now Sri Lanka).

The property acquired from 9228-6202 Quebec Inc. consists of nine (9) claims covering the past mine and a similar geologic context for more graphite mineralization around the deposit. The property covers 5.4 km^2 of land and is located 70 km west of Montreal. Main roads connect up to 800m away from the deposit and travel all around the property. A powerline also crosses the property 500m south of the deposit, and a bush road goes directly to the deposit, which allows for very easy access.

The Company staked an additional 10 claims covering 6.0 km^2 of land in the direct Miller area and 9 km west of the property. In April 2013, the Company purchased another 3 claims from a third party covering 1.8 km^2 of land contiguous to the Miller Mine. An additional five contiguous claims were acquired in July 2013.

A 2013 sampling program conducted by Canada Carbon in February and March 2013 identified grades as high as 80.1% Cg and assessed the visible graphite deposit through a series of new samples taken directly along and into the vein with a chisel and hammer and went to a depth of approximately 30-50mm. The samples were removed directly from the vein. The purpose of this program was to further confirm the grades encountered within the graphitic zone. Based on subsequent lab analysis conducted by Activation Laboratories (Actlabs) of Ancaster, Ontario immediately after collecting the samples using the IR process (Leco), the results confirmed the presence of a high quality lump/vein graphite deposit.

Based on the encouraging results of the February and March 2013 sampling, the Company is focussing its exploration efforts on a work program on the Miller property. A Phase I program consisting of geological mapping of the Miller Graphite Mine pit along with a geophysical survey of the surroundings for the detection of other veins was completed in June 2013.

Multiple electro-magnetic survey methods were applied by Géosig Inc. to compare the conductive response of known graphite veins through an orientation study, including those at the historical Miller Graphite Mine site. The results of the geophysical surveys will assist in establishing high priority drill targets and help to characterize the known graphite occurrences. Only 1.3 km^2 of the Miller Property land package has been surveyed, with the remainder yet to be tested.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

Instruments used in the Phase I exploration program included the MaxMin II-5, an IMAGEM prototype #2, a Beep-Mat 4+, a TxII 1800W transmitter with ELREC-6 receiver, and an Induced Polarization ("IP") survey. The MaxMin survey covered a total of 4.3 line-km with readings every 12.5 metres. The IMAGEM survey totalled 2.5 line-kilometres over lines adjacent to the historic Miller pit, and 20 readings per metre. The IP survey was done over 1.3 line-kilometres as a follow-up on IMAGEM anomalies. Within the Miller pit, the main vein at the southeast corner was delineated with the Beep Mat and was found to curve east into a brecciated zone comprising several conductive veins.

The IMAGEM survey identified seventeen (17) new anomalies. The two strongest anomalies occur 100 metres west and 20 metres east of the mine pit, with weaker but well-defined anomalous peaks to the southeast of the mine pit. The weaker anomalies are found southeast of the pit, and can be correlated from line to line to form a NW-SE trending conductive axis 320 metres in length. The axis passes north through the historic pit for 90 metres and to the southeast for 230 metres, and corresponds to the contact between marble and quartzite mapped in 1991, which is still open to the north. The Beep Mat 4+ tracked the known graphite vein extending southeast from the mine pit, which continues southeast for 25 metres, then curves east into an area with that generates a broad positive Beep Mat response. The broad response is perpendicular to the IMAGEM conductive axis, and is of particular interest as it is a brecciated zone with several intersecting graphite veins.

The IP survey included three lines as a test of the method over IMAGEM anomalies generated west and east of the Miller pit. Normalized chargeability (NC) was used to compensate for background variations linked to overburden thickness. Accordingly, ten (10) IP anomalies were detected and numbered IP-1 to IP-10. Some anomalies are correlated between lines, with IP-1 extending over 145 metres in a north-south direction, 100 metres west of the mine pit and following a geological contact between marble and quartzite. At one station, the IP-1 conductor is coincident with IMAGEM and Beep Mat anomalies, confirming the presence of a conductive body under shallow overburden. IP-1 appears to follow the southwestern contact of the marble unit with quartzite, and is still open in both directions. IP-4 and IP-5 anomalies are found immediately east of the Miller Pit, where a large graphite vein and brecciated zone are known to occur and where the three other methods also returned conductive signals. IP-7, IP-8 and IP-9 are located over a known geological contact between the marble unit and the paragneiss unit on the eastern part of the survey. The IP survey covered only 0.11 km^2 of the Miller property, and therefore the potential for additional anomalous IP responses for the rest of the property still exists.

The discovery of a new graphite occurrence resulted from trenching on one of the geophysical EM anomalies that were identified. This new occurrence is an irregular vein of semi massive coarse graphite. The graphite vein is exposed along a 12.8 metres (41.98 feet) strike length, having a NW-SE (148°) orientation and sub vertical dip. From SE to NW the vein varies in width between 1 m and 1.7 m for up to 7.9 m (26 feet). Within that length, the vein maintains a 1.6 m thickness over 2.5 m. Toward the NW, the vein continues beneath a more competent zone in the host rocks for a length of 1.2m. The vein re-appears on the other side of the competent rock and reaches a thickness ranging from 10 cm to 1 m (3.9 inches to 3.28 feet) over a strike length of 3.7 m. Other graphite veins of smaller size can be observed on both sides of the main vein, on available exposures. Finer grained graphite can be locally observed within the surrounding carbonate host rocks. The new occurrence is exposed below 1 to 3 m of glacial till. Additional trenching could extend the new occurrence towards the northwest and southeast. A detailed mapping of the trenches is currently underway and will allow a better understanding of the mineralization process which will help in defining the vein system at surface.

In July 2013, the Company contracted Geotech Ltd. ("Geotech") of Aurora, Ontario to complete a helicopter airborne Versatile Time Domain Electromagnetic (VTEM Plus) and Horizontal Magnetic Gradiometer Geophysical Survey. The VTEM plus System is excellent for locating discrete conductive anomalies as well as mapping lateral and vertical variations in resistivity. The system offers penetration

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

through conductive covers, spotting of drill targets from the results, excellent resistivity discrimination and detection of weak anomalies. A total of 335.9 line km of geophysical data is expected to be acquired. The airborne survey will be flown at 100 metre line spacing on the property with 50 metre line spacing surrounding the 2.3 km^2 of the Miller Mine pit area. The equipment and crew began mobilizing to the historic Miller Graphite mine project in mid-July 2013. The air borne survey has been completed and the Company is currently awaiting the detailed results. Geotech will generate anomaly picking maps, resistivity depth sections, EM Plate Modeling using EMIT Maxwell and 3D resistivity depth voxels on a detailed grid. Those products will facilitate a detailed interpretation of the results of the survey.

Samples taken from the property during the Phase I work program were sent to SGS for analysis. In July 2013, the results from the first series of beneficiation tests conducted at SGS were released. The results are detailed below:

1) Initial Flotation Test **-** A 2 kilogram (kg) surface sample taken from an exposed vein with a grade of 61.2% Cg (65.1% C) was concentrated by grinding and flotation to 79.2% Cg (84.1% C). The +48 mesh size (jumbo size) fraction represented 34.3% of the flotation concentrate and was assayed at 93.5% Cg (94.4% C). This represents 40.5% of the graphitic carbon in the concentrate. The result was obtained in a single flotation test without process optimization.

2) Leach Test **-** The +48 mesh fraction of the concentrate was subjected to two (2) different hydrometallurgical purification processes. A traditional leach process yielded a concentrate that assayed 99.2% Cg (100 % C).

SGS conducted a second two-stage hydrometallurgical purification process. The alternative purification process treated the +48 mesh concentrate with an alkaline roast followed by a conventional acid leach. The alkaline roast stage increased the purity from 93.5% Cg (94.4% C) to 99.1% Cg (100% C). The acid leach stage resulted in an exceptional product grade of 100% Cg (100% C). A Loss on Ignition (LOI) test was also performed resulting in 100% loss. The presence of impurities in the graphite would have resulted in some ash residue however, according to SGS there was a complete burn.

All carbon analyses were performed by SGS and are reported as total carbon by Leco or graphitic carbon employing a roast, followed by a leach and Leco assay of the leach residue.

Further process development is scheduled to commence at the end of July 2013, and the primary objective is to increase the graphitic content of the flotation concentrate by optimizing the crushing, grinding and flotation parameters, thus minimizing the impurities in the concentrate that would then have to be removed in a downstream purification process. Upgrading the ore through conventional mineral processing technologies including grinding and flotation constitutes a well-established and low-cost upgrading approach.

In August 2013, the Company contracted George Downing Estate Drilling Ltd. of Grenville-sur-la-Rouge, Quebec to complete at least 350 meters of NQ sized diamond drill holes. The meterage will be divided in

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

eight (8) shallow holes to test the graphitic veins previously disclosed at depth and along both its north and south extensions. Initial structural studies indicate that the veins belong to the regional NW Grenvillian fault system and, therefore, the Company believes this graphite-bearing faulting system could extend to considerable depth.

One DDH will be used to test the longitudinal continuity of the main vein and of the mineralized structure at depth by drilling it down dip through the vein. Three DDH will test the continuity of the main vein by intersecting the extension of the vein at depths of 10m, 20m and 50m. The latter DDH's targeting 50 m depth is also expected to intersect the extension of the other smaller graphite veins that run parallel or at a 60 degrees angle to the main vein found. The four remaining DDH holes will target the northwest and southeast extension of the main vein at a depth to be determined from results of the previous DDH.

The drilling program is currently underway and is expected to be completed before the end of August.

Core splitting and sampling will be done on site and sent to Actlab of Ancaster, Ontario. Analysis of samples will be for graphitic carbon. Duplicate samples will also be submitted to comply with the Company's QAQC program. The remainder of the core will be tagged and stored on site.

Dun Raven

The Dun Raven acquisition includes: Dun Raven A, Dun Raven G and Dun Raven A Extension. Dun Raven A is a graphite deposit with historic reserves of 571,532 tons at 4.72% graphite. The property is easily accessible, 3.5 hours west of Montreal, in the Thorne Township.

The historic reserves come from drilling over a geophysical (self-potential) anomaly. The reserves are only from the drilled part of the anomaly (200 feet max depth of holes) and there is still 75% more of the anomaly left to drill. It is also possible that the tonnage or the grade will vary and the overall deposit could be richer. Numerous high grade samples were found at surface.

The only available description from the Ministry of Natural Resources of Quebec of the graphite quality is from 1955 (GM11478). A flotation process was able to produce a 77.60% C concentrate. It is said that no problems were expected to produce a 80-85% C concentrate (which was a marketable product). The mesh size of the concentrate was 32.97% +100 mesh. Another test included more grinding and produced 24.43% +100 mesh, 38.38% +200 mesh and 23.57% -200 mesh. The same report tells us that the produced concentrate (76% C) contained low iron content.

Walker

The Walker Mine is a past producer of graphite located 30 km northeast of Ottawa. The property consists of four claims covering the past mine and eleven claims covering interesting geological formations with potential graphite mineralization around the original deposit. More than thirty pits have been reported on the past producing property.

In March 2013, the Company decided to terminate its interest in the Walker property.

As of June 30, 2013, the Company incurred $179,796 on acquisition costs and $101,905 on exploration and evaluation expenditures on the Miller and Dun Raven properties.

Operating Activities- Exploration Properties (Continued)

Maria Township Graphite Claims, Ontario, Canada

In May 2012, the Company acquired 38 prospective, large-flake Graphite mineral claims contiguous to, and completely surrounding, Northern Graphite Corporation's "Bissett Creek" Graphite deposit which reported high recovery levels of large-flake, high-purity graphite, consistent across its entire resource and overall recovery rates at approximately 97%. The claims are located in the Maria Township, approximately 17 kilometres from the TransCanada Highway between the cities of Ottawa and North Bay, Ontario. The claims cover an estimated area of 4,990 hectares (12,335 acres). The terms of the agreement are disclosed in the notes to the year-end financial statements.

As of June 30, 2013, the Company had incurred $251,702 in acquisition costs on the Maria Township claims.

Red Chris South, British Columbia, Canada

In December 2009, the Company purchased a 100% interest in twelve strategic claims in the Red Chris area of north-western British Columbia. The acquisition agreement gave Canada Carbon a 10,914.9 acre (4,410 hectares) property package immediately adjacent to the southwest side of the Red Chris property. In 2010, the Company acquired an interest in 6 additional strategic claims.

Several work programs were conducted on the claims. In 2010, the work program consisted of property reconnaissance, permitting, prospecting, geological reconnaissance, grid preparation, geochemical soil sampling and/or MMI (mobile metal ion) soil sampling, magnetometer survey, an Induced Polarization ("IP") survey, and rock chip sampling of mineral zones.

A drill program began in July 2011 and consisted of four core holes totaling 1,396.36 meters. Additional surface work conducted in 2011 identified interesting anomalies.

The Company was planning to conduct another drill program to test the soil geochemical anomaly and intrusive identified in previous work programs. Given the Company's limited cash position and its focus on graphite, future work on the property has been deferred indefinitely and the deferred exploration costs were written off accordingly in 2012.

In May 2013, the Company sold its interest in the Red Chris South property to an arm's length purchaser for consideration of the payment of $90,000 and a 1.5% Net Smelter Return Royalty. The purchaser has the option of purchasing two-thirds of the NSR for a cash payment of $1.0 million. The purchaser also agreed to arrange a replacement reclamation bond of $8,000 in connection with the transaction. The purchaser assumed responsibility for any reclamation on the property.

Operating Activities – Exploration Properties (Continued)

White Gold District Claims, Yukon, Canada

In September 2010, the Company acquired a 100% interest in 128 quartz claims, covering over 6,500 acres, in two separate claim blocks in the White Gold District/Stewart River Area of the Yukon. These claims are in close proximity to announced discoveries by Kaminak Gold Corporation (KAM – TSX.V) at their “Coffee” property (August 24^{th} 2010 news release) and by Underworld Resources Inc. that agreed to a friendly takeover by Kinross Gold Corp (June 30^{th} 2010 news release). Canada Carbon’s claims are underlain by the same quartz-muscovite and chlorite-muscovite schist of the Nasina Assemblage that hosts the deposits on the White Gold property, presenting an attractive exploration target. The terms of the acquisition are disclosed in the notes to the year-end financial statements.

In September 2010, Equity Exploration Consultants Ltd. was engaged to carry out a comprehensive work program. The objective of the work program was to assist in establishing drill targets and areas of high priority for further exploration. As a result of sampling conducted by Equity Exploration Consultants Ltd., a significant multi-element soil anomaly was discovered on one of Canada Carbon's claim blocks.

Soil samples were taken at 100m spacing along contour and ridge lines and were analyzed by ALS Chemex, North Vancouver, for gold by fire assay, and a multi-element suite by Inductively Coupled Plasma Atomic Emission Spectrometry. The soil anomaly was identified using two long contour lines, the results of which confirmed a significant multi-element anomaly in the area. The southeastern end of the anomaly contains the largest sustained gold anomaly on the property, with values above 10 ppb for over 1 km of contour line, with maximum gold values of 42 and 45 ppb. The anomaly continues for several kilometres to the northwest, with scattered samples yielding gold values among the highest encountered during the program. Particularly at the eastern end, these are accompanied by elevated As, Sb and Mo values.

Equity Exploration Consultants Ltd. recommended a follow-up work program which began in August 2011. A total of 235 soil samples were collected along 400 meter spaced grid lines with 100 meter sampling intervals. This grid was designed to infill the sampling conducted in 2010.

The 2011 program consisted of additional soil sampling to enhance the gold-arsenic anomaly detected in 2010. The 2011 program consisted of a soil sampling grid that was oriented at 140^0. Soil sampling lines were spaced 400 meters apart with samples collected at 100 meter spacing along the lines. A total of 235 samples were collected in 2011 from the B horizon, where permafrost permitted. There is a significant gold-arsenic anomaly in the east-central part of the claims that warrants following up, and has sufficient size to be an attractive target. Gold values in soil range from below detection limit to a maximum of 121 ppb. The geology of the property seems to be similar to that of the Kinross Gold Corporation’s nearby Golden Saddle gold deposit.

Additional exploration had been planned for 2012 and would have included geological mapping, additional sampling, trenching and potentially some initial drilling of some of the better anomalies; however, given the Company’s limited cash position and its focus on graphite, the exploration program has been deferred.

In 2012, the Company decided to terminate its interest in one of its two claim blocks it acquired in September 2010 and the capitalized costs were written off accordingly.

As at June 30, 2013, the Company had incurred $148,721 in acquisition costs and $72,558 toward deferred development expenditures related to the Yukon claims.

Operating Activities – Exploration Properties (Continued)

Carbonatite Syndicate Rare Earth Claims, British Columbia, Canada

In March 2010, the Company entered into an option agreement to acquire 100% interest in the Carbonatite Syndicate Rare Earth Claim Group, surrounding Spectrum Mining Corporation's reported “Wicheeda” rare earth discovery. The Carbonatite Syndicate Claim Group is 80 km northeast of Prince George, BC and comprises 43 mineral claims covering approximately 39,715.5 acres (16,045 hectares).

During 2010, the Company acquired interests in additional claims surrounding its original March 2010 optioned claims. These additional acquisitions resulted in the Company holding 211 claims covering 222,414.3 acres.

Multiple work programs were conducted on the property. In 2010, work programs consisted of visual reconnaissance, silt and soil sampling, geological mapping and scintillometer surveys. State-of-the-art AeroTEM and Radiometric airborne geophysical surveys were undertaken on the claims.

In 2011, the Company conducted a seven core hole drill program. Late in the season, exposures of carbonatites and other intrusives south of the drilled area were located however, given the permitting process, it was too late in the season to drill this area. In addition, approximately 4,000 kilometres of airborne Total Magnetic Intensity, eTH and eU survey were conducted.

A future exploration program at Wicheeda is required to follow-up geochemical sampling in areas outlined from the airborne survey and to drill in the area of the carbonatite; however, given the Company’s limited cash position and its focus on graphite, further work on the claims has been deferred indefinitely so the deferred costs were written off accordingly in 2012.

Charge Property, British Columbia, Canada

In February 2011, the Company acquired a 100% interest in the Charge prospect located in northern British Columba, approximately 50 kilometres southeast of the Kemess Mine operated by Northgate Minerals Corporation (NGX – TSX).

A 2011 work program was limited to initial silt sampling of the southern portion of the property. A total of fifty samples were collected and analyzed. Total REE were only slightly anomalous, but there were significant occurrences of anomalous gold.

In 2012, the Company decided not to renew the Charge claims and the capitalized expenditures were written off accordingly.

Arcadia

In 2007, the Company entered into an Option and Joint Venture Agreement to acquire a 50% interest in the Arcadia property, a 1,280 hectare area of Inuit-owned land located in Canada’s Nunavut territory from Alix Resources Corp. (formerly “NPN Investment Group Inc.”). The obligations under the Option and Joint Venture Agreement were fulfilled in 2008.

Operating Activities –Exploration Properties(Continued)

Arcadia (Continued)
A drill program began in May 2008. Five drill holes were collared. A total of 263 split core samples were taken for assay and geochemical analysis, comprising approximately 60% of the total core drilled. All samples were fire assayed for Au using a 50g aliquot. Trace element ICP analysis was also carried out.

Gold fire assay results for the 2008 drill holes yielded some encouraging intersections, which are summarized in the table below.

Hole Id	From	To	Interval (m)	Au (g/t)
08ARC-02	95.50	97.00	1.50	4.73
08ARC-03	90.00	102.00	12.00	4.00
	90.98	97.83	6.85	6.70
	94.00	95.25	1.25	15.67
08ARC-04	92.50	98.50	6.00	1.24
08ARC-05	70.00	74.50	4.50	0.86
	106.89	107.63	0.74	20.44

Most of the quartz vein intervals were intersected at approximately 45 degrees to the core angle so therefore true widths will be approximately 0.7 times the “interval” widths.

The assay results from the 2008 drill program confirmed that the high grade zone intersected in four historic holes (G88-3, G89-07,08,10) is continuous over at least 100m on a northeast-southwest trend, and is still open to the north.

While the Company has retained its interest in the Arcadia property, in 2009 it did not anticipate performing any additional exploratory work and accordingly wrote off the capitalized costs incurred on the property.

The Company has incurred $14,100 in each of 2011 and 2012 for the maintenance of the claims.

Results of Operations

The results of operations reflect the overhead costs incurred for mineral property acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in property acquisition, exploration and sales activities. As at June 30, 2013, the Company had not recorded any significant revenues.

The Company incurred a net loss for the three months ended June 30, 2013 of $68,184 compared with a net loss of $297,004 in the prior year. Explanations for the significant variances are provided below:

- A decrease of $50,000 in management fees as the termination of Paul Ogilvie resulted in a reduction of management fees by $25,000 per month.
- A decrease of $25,336 in professional fees predominantly related to a drop in legal fees. In 2012, the Company hired in-house legal counsel and incurred fees related to the development of various consulting contracts, change in management structure, corporate name change and proposed mineral property acquisitions.
- A decrease of $18,983 in shareholder communications and promotion as the Company incurred costs for the three months ended June 30, 2012 related to the development of its new website and the monthly fees of a manager of corporate communication.
- A decrease of $34,293 in share-based compensation expense as the Company granted 1,450,000 options in fiscal 2013 compared with 2,750,000 options in fiscal 2012.
- A decrease of $19,466 in property investigation costs as the Company has focused on its existing properties in the second half of fiscal 2013.
- A reduction of $13,829 in the write off of exploration and evaluation expenditures as the Company incurred costs related to the Arcadia property in 2012 and only incurred negligible costs related to written off properties in fiscal 2013.
- A gain of $95,000 was recorded on the disposal of the Red Chris mineral claims. No mineral claims were sold in fiscal 2012.
- A reduction in income tax recovery of $22,272 as the recovery in 2012 relates to the expiry of warrants. There have been no warrant expiries during the second quarter of fiscal 2013.

The Company incurred a net loss for the six months ended June 30, 2013 of $539,480 compared with a net loss of $407,927 in the prior year. Explanations for the significant variances are provided below:

- An increase of $18,750 in management fees is attributable to the inclusion of $25,000 per month for the services of the CEO that was hired in May 2012. A portion of the CEO's fees ($18,750) in 2013 were charged to exploration and evaluation expenditures while the remainder was charged to management fees. The CEO was terminated in March 2013 and a $12,500 termination payment was made pursuant to the terms of his contract.

Results of Operations (Continued)

- An increase of $93,429 in sales and marketing costs as the Company contracted the services of a Vice President of Development and a Director of Sales and Marketing to focus on the sales of graphite. The Company was unable to generate any sales. In March 2013, the Company eliminated the sales and marketing positions. Pursuant to the terms of the contracts with the sales and marketing consultants, the Company was required to issue shares worth $50,000 in total to these individuals upon termination of the contracts.

- An increase of $23,142 in office, rent and miscellaneous expenses predominantly related to the increased rent and office operating costs for the Oakville location. Effective April 1, 2013, the Company assigned its lease obligations to a third party.

- An increase of $12,440 in shareholder communications and promotion related to the monthly fees for a director of corporate communications hired in May 2012 and the addition of another corporate communications position in January 2013. Both positions were terminated in March 2013. This increase was partially offset by higher website development costs in 2012.

- A decrease of $76,661 in share-based compensation related to a drop in the number of options granted and the timing of the amortization of options. There were 1,450,000 options granted in the first six months of 2013 while 2,750,000 options were granted in the same period in 2012. In addition, the first quarter of 2012 incurred charges for the amortization of 1,100,000 options that were granted on December 29, 2010 and the amortization of 500,000 options granted in July 2011. Both of these option grants vested over 18 months. The first quarter of 2013 incurred charges for the amortization of 250,000 options granted on October 1, 2012 which vested over six months.

- A decrease of $19,466 in property investigation costs as the Company has not undertaken a review of new prospective properties during fiscal 2013.

- An increase of $128,158 in write offs of exploration and evaluation expenditures as the Company wrote off $142,118 related to the Walker Property and $139 related to the properties written off in prior years. In 2012, the Company incurred costs of $14,100 related to the Arcadia property which had been written off in prior years.

- A gain of $95,000 was recorded on the disposal of the Red Chris mineral claims. No mineral claims were sold in fiscal 2012.

- A reduction in income tax recovery of $35,772 as the recovery in 2012 relates to the expiry of warrants. There have been no warrant expiries during the first six months of fiscal 2013.

Summary of Quarterly Results

The following table sets out selected quarterly information for the last eight quarters.

Three Months Ended	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
	$	$	$	$
Revenue (investment income)	185	22	444	3,156
Net Income (Loss)	(68,184)	(471,296)	(4,690,689)	(1,082,481)
Net Income (Loss) per common share	(0.00)	(0.01)	(0.10)	(0.03)
Three Months Ended	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
	$	$	$	$
Revenue	3,866	4,031	7,322	12,320
Net Income (Loss)	(297,004)	(110,923)	(52,882)	(618,252)
Net Income (Loss) per common share	(0.01)	(0.00)	(0.00)	(0.02)

Liquidity and Capital Resources

The Company's cash and cash equivalent position at June 30, 2013 was $136,078 compared with a cash and cash equivalent position of $58,029 at December 31, 2012. At June 30, 2013, the Company had working capital of $86,193 compared to working capital of $47,423 at December 31, 2012.

For the six months ended June 30, 2013, the Company utilized $317,680 for operating activities and $179,248 for mineral property expenditures. The Company raised $484,958 from the proceeds of a private placement net of issue costs and $90,000 from the sale of its Red Chris South mineral property interests.

In March 2013, the Company closed a private placement in which it issued 5,000,000 units for gross proceeds of $500,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share for an exercise price of $0.20 per share for a period of two years. Of the 5,000,000 units issued, 1,250,000 units were flow through units issued at the same terms as the non-flow-through units.

In July 2013, the Company closed a private placement in which it issued 2,000,000 units for gross proceeds of $300,000. Each unit consisted of one common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share for an exercise price of $0.25 per share for a period of three years.

The Company will require additional funding for its work programs and operations.

There were no material credit facilities in place as at June 30, 2013.

Any commitments to pay cash or issue shares are disclosed in the notes to the financial statements.

Related Party Transactions

During the six months ended June 30, 2013, the Company entered into the following transactions with related parties:

a) Incurred management fees of $60,000 (2012- $60,000*)* to R. Bruce Duncan. Mr. Duncan resigned as President and CEO effective May 23, 2012 to become Chairman of the Board. On March 18, 2013 as a result of the termination of Paul Ogilvie, Mr. Duncan became interim CEO.

b) Incurred management fees of $68,750 (2012 - $50,000) to O2 Ltd., a company controlled by Paul Ogilvie. Mr. Ogilvie assumed the role of CEO on May 23, 2012 and was terminated on March 18, 2013.

c) Incurred professional fees of $40,000 (2012 - $30,000) to Olga Nikitovic (CFO).

d) Incurred consulting fees charged to exploration and evaluation expenditures of $18,750 (2012- $Nil) to O2 Ltd., a company controlled by Paul Ogilvie and $Nil (2012- $18,238) to Roger Steininger (former Director).

e) Incurred legal fees of $24,945 (2012 – $22,106) to Tom Fenton of Aird & Berlis LLP, (Corporate Secretary). Fees relate to legal services of which $15,119 (2012 - $22,106) is reflected in professional fees and $9,826 (2012 - $Nil) is included in share issue costs.

The compensation for key management personnel is identified above in (a), (b), (c) and (d). The Company does not pay any health or post employment benefits. Share–based payments to officers and directors were valued at $66,662 (2012 - $94,906).

Pursuant to the March 2013 private placement, three officers of the Company subscribed for a total of 500,000 units for gross proceeds of $50,000.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Changes in Accounting Policies

Current Accounting Changes

Please refer to Note 4 of the financial statements for a complete description of accounting policy changes.

Adoption of new and amended IFRS pronouncements

We have adopted the new and amended IFRS pronouncements listed below as at January 1, 2013, in accordance with the transitional provisions outlined in the respective standards. The adoption of the following new IFRS pronouncements did not affect our financial results or disclosures as our analysis determined that no changes were required to our existing accounting treatment.

IFRS 11- Joint Arrangements
In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint Arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. As a result

Changes in Accounting Policies

Adoption of new and amended IFRS pronouncements (Continued)

of adopting IFRS 11, we have classified our interest in the Arcadia mining claims as a joint operation. The individual assets, liabilities and expenses of Arcadia were previously recognized in the financial statements however, the Company's interest in Arcadia was written off in 2009 and the adoption of IFRS does not result in any change to the Company's financial statements.

IFRS 12- Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). We have adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in incremental disclosures in our annual financial statements.

IFRS 13 - Fair Value Measurement
We adopted IFRS 13, Fair Value Measurement ("IFRS 13") with prospective application from January 1, 2013. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements. 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. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value. The disclosure requirements of IFRS 13 will be incorporated in our annual financial statements for the year ended December 31, 2013.

IAS 1- Other Comprehensive Income
We adopted the amendments to IAS 1, Presentation of Financial Statements ("IAS 1") on January 1, 2013, with retrospective application. The amendments to IAS 1 require companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. We have amended our statement loss for all periods presented in these condensed interim financial statements to reflect the presentation changes required under the amended IAS 1. Since these changes are reclassifications within our statement of loss, there is no net impact on our comprehensive income.

Future Accounting Changes

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

Critical Accounting Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. The impact of these estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates made by the Company include factors affecting the recoverability of exploration and evaluation expenditures, valuation of restoration, rehabilitation and environmental obligations, inputs used for share based payment transactions, inputs used for valuation of warrants and deferred tax assets and liabilities. Actual results could differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Estimation of decommissioning and restoration costs and the timing of expenditure
The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Critical Accounting Estimates (Continued)

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Financial Instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the statement of financial position approximate fair market value because of the limited term of these instruments. The Company's investments classified as available for sale and its cash equivalents classified as held-for trading are carried at fair value. The fair value for its available for sale investments is determined by reference to quoted prices in active markets for identical assets and the fair value of its cash equivalents is determined by inputs other than quoted prices that are observable either directly or indirectly.

The Company does not believe it is exposed to significant interest, currency or credit risk arising from these financial instruments.

Proposed Transactions

The Company continues to review and assess possible transactions.

Contingencies

The Company does not have any contingencies or commitments other than those disclosed in the notes to the financial statements.

Subsequent Events

There are no material subsequent events other than those disclosed in the notes to the financial statements.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

Other MD&A Requirements

As at August 13, 2013 the Company has 67,592,794 shares outstanding, or 94,946,794 shares on a fully diluted basis. If the Company were to issue 4,007,000 shares upon the conversion of all of its outstanding stock options, and 23,347,000 shares upon conversion of all of its outstanding warrants, it would raise $6,539,150.

CANADA CARBON INC.

CORPORATE DATA

August 13, 2013

HEAD OFFICE

Suite 605, 1166 Alberni Street
Vancouver, BC, V6E 3Z3
Tel: (604) 638-0971
Fax: (604) 638-0973
Website: **www.canadacarbon.com**

SOLICITORS

Aird & Berlis LLP
Barristers and Solicitors
BCE Place, Suite 1800
Box 754, 181 Bay Street
Toronto, Ontario M5J 2T9
Tel: (416) 865-4631
Fax: (416) 863-1515

REGISTRAR & TRANSFER AGENT

Computershare Investor Services
510 Burrard Street, 2nd Floor
Vancouver, BC V6C 3B9

AUDITORS

McGovern, Hurley, Cunningham, LLP
2005 Sheppard Avenue East, Suite 300
Toronto, Ontario M2J 5B4
Phone: (416) 496-1234
Fax: (416) 496-0125

DIRECTORS AND OFFICERS

R. Bruce Duncan	Executive Chairman of the Board & Interim CEO
Bruce Coventry	Director
Greg Lipton	Director
Olga Nikitovic	CFO
Thomas A. Fenton	Corporate Secretary

INVESTOR CONTACTS

Dan Terrett
Tel: (604) 638-0971
Fax: (604) 638-0973

CAPITALIZATION

Authorized:	Unlimited
Issued:	67,592,794
Escrow:	Nil

LISTINGS

TSX Venture Exchange
Trading Symbol: CCB

Frankfurt Exchange
Trading Symbol: U7N