

CANADA CARBON INC.

Management Discussion and Analysis For The Nine Months Ended September 30, 2013

November 25, 2013

The following discussion and analysis should be read in conjunction with the unaudited financial statements for the three and nine months ended September 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 nine months ended September 30, 2013 of \$692,818 compared with a net loss of \$1,490,408 in the prior year. While there were material variances in a number of expense categories, the most significant related to decreases in management fees, professional fees, share-based compensation, property investigation costs, write offs of exploration and evaluation expenditures and increases in sales and marketing costs and gains on the disposal of mineral claims.

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 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 property. The property consists of nine claims covering 5.4 km² including the past mine and similar geology around the original mine site, with road access and power nearby. The Dun Raven is a graphite property 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 mine. 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% Graphitic Carbon ("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. Trenching over some of the anomalies has resulted in the discovery of multiple new graphite occurrences. Additional trenching and mapping of the trenches is on-going.

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 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 identified five high priority targets and 86 clusters of smaller-sized electromagnetic anomalies. EMIT Maxwell Plate Modeling on the East claim block over three anomalies identified proposed drill targets for the Company's upcoming drill program. Results of modeling of the West claim block is expected shortly.

Surface samples from the Phase I work program produced results of 99.2% Cg 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% Cg.

Overall Performance (Continued)

A sample of graphite concentrate purified by SGS was submitted for glow discharge mass spectrometer ("GDMS") analysis by Evan Analytical in Liverpool, New York. GDMS analysis has the ability to quantify impurities at trace concentrations in high-purity inorganic solids. The sample results indicated an exceptional concentrate grade of 99.965% total carbon which surpasses the purity threshold for nuclear graphite.

The Company contracted George Downing Estate Drilling Ltd. of Grenville-sur-la-Rouge, Quebec to complete a NQ sized diamond drill hole program on the Miller property. A total of 12 holes were drilled. The drilling was completed in August 2013. Assays results indicate that graphite and wollastonite mineralization exposed at surface extend to a depth of 39 meters.

The Company is applying for a bulk sampling permit to enable the extraction and shipment of large samples of graphite bearing material. The Company has total stock piled material containing 640 tonnes of graphite vein mineralization in marble, paragneiss and wollastonite, as well as five tonnes of high-grade lump graphite.

A surface access rights agreement was secured for the Miller graphite property. In addition, 0.5% of the Net Production Royalty ("NPR") on the initial Miller property purchase and transfer agreement was purchased thereby reducing the NPR to 1.5%.

For the first nine months of fiscal 2013, the Company staked an additional 24 claims representing 3,709 acres contiguous to the Miller property claims previously acquired. In April 2013, the Company purchased 3 claims from a third party contiguous to the Miller Mine. An additional 5 contiguous claims were purchased from the same third party vendor in July 2013. Subsequent to September 30, 2013, the Company purchased an additional 14 mining claims and 10 pending claims contiguous to the historic Miller graphite mine.

During fiscal 2013, the Company closed numerous private placements which provided the Company with gross proceeds of \$1,358,000.

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

Operating Activities- Exploration Properties (Continued)

Asbury Graphite Property (Continued)

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

As of September 30, 2013, the Company had incurred \$654,379 in acquisition costs and \$428,827 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 mine 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 mine site. The property covers 5.4 km² of land and is located 70 km west of Montreal. Main roads connect up to 800m away from the mine site and travel all around the property. A powerline also crosses the property 500m south of the site, and a bush road goes directly to it, which allows for very easy access.

In April 2013, the Company purchased another 3 claims from a third party covering 1.8 km² of land contiguous to the Miller Mine. An additional five contiguous claims were acquired in July 2013.

A sampling program conducted by Canada Carbon in February and March 2013 identified grades as high as 80.1% Cg and assessed the visible graphite veins through a series of new samples taken directly

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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 focussed 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 assisted in establishing high priority drill targets and helped to characterize the known graphite occurrences. Only 1.3 km² of the Miller property land package was surveyed.

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 km² of the Miller property, and therefore the potential for additional anomalous IP responses for the rest of the property still exists.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

The discovery of a new graphite occurrence resulted from trenching on IP-1, one of the geophysical EM anomalies that were identified. This new occurrence ("VN1") 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.

Samples taken from the property during the Phase I work program were sent for analysis. All carbon analyses were performed by SGS and are reported as total carbon ("Ct") by Leco or graphitic carbon ("Cg") employing a roast, followed by a leach and Leco assay of the leach residue.

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% Ct) was concentrated by grinding and flotation to 79.2% Cg (84.1% Ct). The +48 mesh size (jumbo size) fraction represented 34.3% of the flotation concentrate and was assayed at 93.5% Cg (94.4% Ct). 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 % Ct).

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% Ct) to 99.1% Cg (100% Ct). The acid leach stage resulted in an exceptional product grade of 100% Cg (100% Ct). 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.

Further process development commenced at the end of July 2013 to determine the effects of repeated grind and flotation in order to achieve a higher graphitic carbon grade in the concentrate prior to purification. 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 announced the results from the additional milling and flotation test conducted by SGS. The modified protocol yielded a +48 mesh flotation concentrate of 99.1% Cg and 100% Ct. The process subjected a -6 mesh sample to various grinding times and media, each one followed by three to four stages of cleaner flotation. The final cleaner concentrate represented 70.0% of the original feed and contained 93.2% Ct, which is a substantial improvement from the previous test at 84.1% Ct. The concentrate grade of the +200 mesh size fractions was exceptionally high at 98.1% Ct and increased further to 98.7% Ct in the +100 mesh size fractions. Further, the carbon recovery into the final flotation concentrate was increased from 73.4% to 97.2%. A particle size distribution was conducted on this final cleaner concentrate and sieve fractions assayed for Ct and Cg.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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 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 was expected to be acquired. The airborne survey was to be flown at 100 metre line spacing on the property with 50 metre line spacing surrounding the 2.3 km² of the Miller Mine pit area. The equipment and crew began mobilizing to the historic Miller Graphite mine project in mid-July 2013. Geotech was expected to generate anomaly picking maps, resistivity depth sections, EM Plate Modeling using EMIT Maxwell and 3D resistivity depth voxels on a detailed grid. Those products would be used to facilitate a detailed interpretation of the results of the survey. In September 2013, the Company received the preliminary VTEM airborne survey results from Geotech. The preliminary results identified multiple anomalies over the 20.7 square kilometre Miller property.

In September 2013, further trenching in the VN1 discovery area revealed a new graphite occurrence (VN2) that is 25 m from VN1. The new VN2 discovery is up to 1.5 m thick and can be followed for over 3 m in length at surface. Multiple secondary graphite veins were also identified and are associated with a total of six mineralized pods of metric to pluri-metric size. Samples from each of the six pods were sent for assaying. The veins and pods of high grade graphite mineralization are aligned in a NE-SW orientation and follow the contact between marble and paragneiss. The total trench length for the mineralized corridor is 52 m and is open on all sides. The technical team will concentrate on extending the mineralized corridor by following the contact zone.

Trenching was conducted to further extend the VN2 discovery, which occurs within a large 300 m long EM anomaly identified from the preliminary VTEM airborne survey results. The current trenching is located on the east flank of this EM anomaly that is also elongated toward the east, and the VN2 graphite discovery may explain the asymmetry of the EM anomaly.

George Downing Estate Drilling Ltd. of Grenville-sur-la-Rouge, Quebec was contracted to complete at least 350 m of NQ sized diamond drill holes on the Miller property. Drilling was conducted over late July 2013 and early August 2013, with the objective of testing the depth and lateral extent of the various veins. The assay results from its trenching and drilling programs were recently press released. Collectively, the results demonstrate that the graphite and wollastonite mineralization exposed at surface extends to a depth of 39m. Deeper extensions suggested by core observations are still untested, and will be the focus of future drilling programs.

A total of 595.5 m of core in 12 holes was drilled at the Miller Mine Project, of which 33.5 m with higher visible graphite content from 7 drill holes have been assayed for graphite to date. Channel samples were sent to Actlabs. Core samples were half split and also sent to Actlabs. Quarter splits of richer intersections were sent to SGS and quarter splits of the graphite veins were sent to Actlabs for additional assaying of the richest intersections. Actlabs results are reported using protocol 5D-C in which the samples underwent drying, crushing with up to 90% passing through a #10 square-mesh screen, riffle splitting (250 gram) and pulverizing to 95% passing a 105 micron square-mesh screen. Graphitic carbon (Cg) was determined by multistage furnace treatment and infrared absorption, with a 0.05% detection limit. SGS prepared the samples by crushing to 75% passing 2 millimetre, splitting (250 gram) and pulverizing to 85% passing 75 micron square-mesh screen. Graphitic carbon was determined by difference from the carbon assay (after ashing) by tube furnace/coulometer minus the carbonate carbon (after ashing) by coulometry. Results from the drilling and trenching are reported in the tables below:

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

Drilling Results for the Miller Graphite Project. All holes are NQ.

Drillhole	Azimuth, degrees	Inclination, degrees	From, m	To, m	Interval, m*	%Cg
VN1-02	--	-90	0.00	1.35	1.35	7.22
VN2-01	--	-90	1.00	3.00	2.00	32.45
		<i>including</i>	1.00	1.30	0.30	53.60
		<i>and</i>	1.70	2.60	0.90	51.70
			3.00	7.50	4.50	2.51
			7.50	9.60	2.10	9.65
		<i>including</i>	8.50	8.90	0.40	11.50
VN2-02	060	-45	0.00	4.00	4.00	2.32
DDH13-03	240	-55	0.00	2.00	2.00	1.61
		<i>including</i>	0.80	1.10	0.30	6.33
			46.70	48.70	2.00	6.14
		<i>including</i>	47.50	48.40	0.90	15.14
DDH13-04	240	-55	27.00	28.00	1.00	4.70
		<i>including</i>	27.60	27.75	0.15	11.90
			39.50	42.00	2.50	8.12
		<i>including</i>	41.30	41.80	0.50	14.50
			48.00	49.50	1.50	4.20
		<i>including</i>	48.05	48.20	0.15	8.59
DDH13-05	250	-55	2.30	2.60	0.30	22.70
DDH13-07	060	-55	47.00	48.00	1.00	6.51

NOTES: Only core samples with high visible graphite content were assayed. *Data are insufficient at this time to estimate true thicknesses.

Trench Sample Results for the Miller Graphite Project

Sample material	Channel width, cm	Channel length, m	%Cg
VN2	2.5	1.3	28.2
	<i>including</i>	0.25	49.7
Pod #1	2.5	0.6	10.1
Pod #2	2.5	1.0	18.6
Pod #3	2.5	1.3	22.2
Pod #3	2.5	0.58	6.57
Pod #4	2.5	0.44	42.0
Pod #5	2.5	0.5	24.4
Pod #5	2.5	0.65	12.5
Pod #5	2.5	0.5	17.7
Pod #6	2.5	0.5	33.0

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

The most significant results are from the VN2 surface showing, where the mineralization is located at the contact between marble and paragneiss, with local folding often acting as a focus of mineralization. Assays confirm 28.2% Cg over 1.3 m in a channel sample, including 49.7% Cg over 0.25 m. Associated with the mineralization is a graphite-wollastonite pod that assayed 24.4% Cg over 0.5 m and 17.7% Cg over 0.5 m in channel samples. Drilling intersected the graphite-wollastonite pod at 39.3 meters (vertically) beneath the VN2 showing in hole DDH13-03, returning assays similar to the surface results, with 15.14% Cg over 0.9 m. Drill hole DDH13-04 laterally extended the graphite-wollastonite mineralization 14 m toward the east, and intersected 14.5% Cg over 0.5 m at 33.8 m (vertically) underground.

Some drill holes also tested the VN2 at near surface. Drill hole VN02-01 resulted in 32.45% Cg over 2 m from 1 to 3 m down, including two veins assaying 53.6% Cg over 0.3 m and 51.7% Cg over 0.9 m. The Company believes that a mineralized zone is present along the depth extension of the VN2 showing, as demonstrated by the graphite-wollastonite mineralisation found at surface and depth, and will conduct further drilling to find large graphite-rich veins similar to those closely associated with graphite-wollastonite pods at surface. Drill holes DDH13-03 and DDH13-04 were the only holes that tested the showing at depth.

Channel samples were also collected from other graphite-wollastonite pods found during trenching. All channel samples were taken perpendicular to the orientation of the pods. The pods are of meter-scale and consist of calcite, diopside, feldspar, wollastonite and graphite. They have a pegmatitic texture and are primarily located along the contact between marble and paragneiss. From the trench trending northeast to the southwest over 55 m, six graphite pods were sampled. Assays returned values up to: 10.1% Cg over 0.6 m, 18.6% Cg over 1 m, 22.2% Cg over 1.3 m (VN1 showing), 42% Cg over 0.44 m, 24.4% over 0.5 m (Pod near the VN2 showing) and 33% Cg over 0.5 m. The above table show more results of sampling over the pods. The Company's ore genesis model suggests that high grade mineralization was deposited as graphite-rich pods and lump veins along permeable channels utilized by the fluids and gases as they moved toward lower pressure zones.

In September 2013, the Company announced that it had secured surface access rights for its Miller graphite property with two landholders who are affiliated with each other. The agreement allows the Company to carry out regular graphite prospecting and exploration for an initial period of five years. The Company has the exclusive and irrevocable option to acquire or lease all or part of the property from the landholders. If the Company exercises the option prior to the expiry of the five year term, the term of the agreement will be extended through the period of commercial production.

The Company also purchased 0.5% of the net production royalty ("NPR") in relation to the initial Miller property purchase and transfer agreement thereby reducing the NPR to 1.5%.

Additional mining claims were acquired in October 2013, with the purchase of 14 mining claims and 10 pending claims contiguous to the Company's historic Miller Graphite Mine. During fiscal 2013, the Company staked an additional 24 claims representing approximately 3,709 acres contiguous to the Miller graphite claims purchased in January 2013.

In October 2013, the final results of the VTEM airborne survey conducted by Geotech Ltd. were reported. Five high priority targets were identified, two of which are known to correspond with marble rocks that host the graphite elsewhere on the property. Additionally, the calculated time constant processing (or 'Tau' constant) identified 86 clusters of smaller-sized EM anomalies on the property which show a strong relationship in signal between each other.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

The survey entirely covered two claim blocks (named East and West) that constitute the Miller property. Principal sensors for the survey included a Time Domain EM system and two magnetometers to measure horizontal gradient. The total surveyed area is 25 km² and the total line coverage is 336 line-km. Signals due to known cultural sources such as power lines and houses were removed from the EM data. On the East block, survey lines were flown in a northeast to southwest direction, with a line spacing of 100 m. A spacing of 50m was implemented in the central part of the block where historic mining took place, and where graphite veins and pods are currently being tested through trenching and drilling. Two major anomalies (E1 and E2) are present on the East block, occurring respectively at 100m depth and 80-100m depths. Anomaly E1 is located 800m north of the mine pit, with an approximate diameter of 400m. Magnetic maps show that E1 is located between two magnetic anomalies that could correspond to the contact of two geological units with a similar geological context to the known Miller mineralization. Anomaly E2 is located next to the current trench work area. Anomaly E1 is positioned where Canada Carbon obtained a surface access rights agreement for exploration work, with E2 partly included along its north extension.

The West block was flown in a northwest to southeast direction with line spacing of 100 m. The West block hosts three major anomalies (W1 to W3). Anomaly W1 is located in marble and is sub-vertical at 100m depth, and W2 is also located on a contact zone of a marble with intrusive rocks. Both W2 and W3 are close to the surface according to the survey results.

The five main conductive targets were selected for their high amplitude conductivity, along with their significant extent (hundreds of metres) and detailed morphology. Additional conductive anomalies of lesser amplitude form dense clusters on both claim blocks. These clusters were selected on the basis of their spatial distribution and by the nature of the EM signal in between them as depicted on time constant image generated by Geotech.

On the East block, 40 EM clusters consisting of one or more EM anomalies are present, with the clusters having a mean diameter of approximately 100 meters. Among these anomalies, a 500m along-strike anomaly with a depth of at least 100 meters is present in the vicinity of the Miller mine pit and will be subject of further resolution by Geotech. Southeast of the Miller mine pit, an anomaly is also present that shows along-strike continuity with the mine pit anomaly. Many small historic trenches are found along these anomalies at surface, and Company geologists believe that it is very likely that graphite is the cause of these new anomalies.

The West block hosts 46 clusters with a mean size of approximately 200m, and is scheduled to be tested through prospecting and beep-mat surveys to prioritize their potential.

Previous EM methods used on the property resulted in the discovery of many graphite veins. The many historic graphite pits and trenches on the property indicate that graphite is distributed widely and the Company expects that many of the clusters will be correlated with graphite mineralization. Each of the anomaly clusters has the requisite size and EM response to represent potential new individual graphite discoveries. On-ground prospecting and beep mat surveys are planned over the main anomalies as well as over several of the clusters.

In October 2013, the Company submitted a sample of graphite concentrate, that was purified by SGS, for glow discharge mass spectrometer (GDMS) analysis by Evan Analytical in Liverpool, New York. The primary advantages of GDMS are its ability to quantify impurities at trace concentrations in high-purity inorganic solids, and to quantify concentrations of up to 73 contaminant chemical elements in a single analysis. The majority of the contaminant elements in the purified Miller graphite concentrate yielded concentrations that were below the analytical detection limit for each element. The sum of the concentrations of all elements yielded a concentration of less than 350 ppm (or g/t), which by difference

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

translates to an exceptional concentrate grade of 99.965% total carbon. These exceptional purity results for graphite obtained with a non-optimized flotation and purification process further support earlier indications that the graphite from the Miller property may be suitable for applications requiring ultra-pure grades, such as some core components of nuclear reactors.

Some environmental assessment activities have commenced. Geostar Inc. (Brownsburg-Chatham, QC) was engaged to perform an evaluation of the property for bog land and humid vegetation areas. The report shows that no such land is present in the work area. The Company will also initiate the evaluation of a river located 250 meters north of the currently worked area, consisting of sediment and water sampling to determine whether contamination exists from the historic mining operations. The Company is in the process of requesting environmental authorization to pursue its trench work in the vein and pod discovery area due to the expected size of the future trench. The objective is to further expose the mineralized contact between the paragneiss and the marble, which hosts multiple graphite veins and graphite pods.

The Company is in the process of applying for a bulk sampling permit which will enable us to extract and ship large samples of graphite-bearing material. The Company has multiple stockpiles of graphite bearing material some of which were recently discovered near the historic Miller Mine pit as well as graphite material collected as it is displaced from trenching during current exploration activities. The stockpiles were discovered during beep-mat surveying and prospecting. The total stock piled material contains 640 tonnes of graphite vein mineralization in marble, paragneiss and wollastonite, as well as five tonnes of high-grade lump graphite. Wollastonite is present in the stockpiled material and in the area currently being trenched, and occurs with graphite as acicular crystals up to ten centimetres in size. Wollastonite has a wide variety of uses in the automotive industry, and the Company is investigating the recovery of wollastonite as a by-product of graphite mining at the Miller mine. Samples from the stockpiles have been sent to Actlabs for total graphite analysis, and the results will be used to prioritize processing of the stockpiled material.

In November 2013, the Company received the final modeling results from the Geotech VTEM airborne survey performed over the East claim block of the Miller graphite property. Geotech Ltd performed an EMIT Maxwell Plate Modeling on the East block over three electro-magnetic anomalies that were selected for their size, shape and amplitude. The plate model allows the prediction of specific parameters for a rock body, such that it explains the observed anomaly's characteristics. Parameters of the modeled plate include location, depth to surface of the body, dip, rotation, length, depth extent and conductivity-thickness. These parameters allow the selection of drill collar parameters to optimally test the inferred source of the electro-magnetic anomaly. All of the proposed drill target models fit the measured data well.

Target E1 is located 800 m north of the Miller Mine pit and has been modeled as a 130 m by 120 m plate, dipping towards the south-west at 20 degrees. The top of the plate is located at about 140 m from surface. A confident estimation of thickness cannot be done on horizontal plates. Magnetic maps show that target E1 is located between two magnetic anomalies that could correspond to the contact of two geological units with a similar geological context to that of the known Miller mineralization.

Target E2 is located adjacent to the current trench work area. This target is near horizontal, striking northwest for about 250 m, and has a width of about 45m. Similar to target E1, a proper evaluation of thickness cannot be done, since the modeled target is also a horizontal plate. The top surface of the conductor is approximately 90m from surface.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

Target E3 is located south-east of the Miller Mine pit and shows along-strike continuity with the mine pit electro-magnetic anomaly. This target is very conductive and is steeply dipping. The top of the target is 40 m from surface. The target body has estimated dimensions of 110m by 40m width, along its depth extension, and an estimated thickness of 7 m. Prospecting and beep-mat surveying allowed for the discovery of many closely spaced graphite veins and historical exploration pits in that area.

All of the proposed targets fit well with the deposit model developed by the Company. The model proposes hydrothermal and pneumatolytic processes that result in graphite and wollastonite mineralization associated with intrusive bodies cutting into marble units. Target E1 and E2 are modeled as horizontal conductors that could correspond to altered rock units located over an intrusive body while the sub-vertical target E3 would correlate well with graphite veins arising from a deeper source.

A 900 m drill campaign is planned to start in the fourth quarter of fiscal 2013 to test these three targets. In addition, 500 m of drilling is also planned to sample beneath graphite veins and pods observed in the trench area. The summer 2013 drilling program was conducted to test the continuity of graphite vein mineralization, but was limited to 39 m from surface. The proposed drill program will focus on extending the mineralization at depth, and along strike.

Ground prospecting and beep mat surveying was conducted over some of the remaining EM anomalies on the East block, resulting in the discovery of many graphite veins southeast of the Miller Mine pit, 114 m from high priority anomaly E3. Selected grab samples collected from these veins returned assays of 29.9% Cg, 23.4% Cg, 29.8% Cg, 29.9% Cg, 24.5% Cg and 33.3% Cg. Further exploration with trenching is planned over these new areas of surface mineralization, as well on the other EM anomalies where no outcrop was present.

Anomaly picking and modeling is currently being conducted by Geotech on the West claim block, which was surveyed by VTEM airborne survey simultaneously with the East block.

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.

Operating Activities- Exploration Properties (Continued)

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 mine. 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 and all capitalized costs were written off.

As of September 30, 2013, the Company incurred \$237,764 on acquisition costs and \$281,421 on exploration and evaluation expenditures on the Miller and Dun Raven properties.

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 September 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 24th 2010 news release) and by Underworld Resources Inc. that agreed to a friendly takeover by Kinross Gold Corp (June 30th 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°. 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 September 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 Columbia, 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.

In 2009, the Company 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 September 30, 2013, the Company had not recorded any significant revenues.

The Company incurred a net loss for the three months ended September 30, 2013 of \$153,337 compared with a net loss of \$1,082,481 in the prior year. Explanations for the significant variances are provided below:

- A decrease of \$300,000 in management fees as the termination of Paul Ogilvie resulted in a reduction of management fees by \$25,000 per month. In addition, fiscal 2012 included \$250,000 related to the value of 2,500,000 shares issued to Paul Ogilvie pursuant to his consulting contract.
- A decrease of \$16,946 in sales and marketing costs as the Company terminated the sales positions in March 2013.
- A decrease of \$41,853 in professional fees is predominantly related to a \$34,573 drop in legal fees and a \$7,280 drop in audit fees. The 2012 legal fees included \$50,000 related to the issuance of 500,000 shares to in-house counsel pursuant to his consulting contract. The drop in legal fees is partially offset by increased fees in 2013 related to the Land Surface Access Agreement for the Miller property. 2012 audit fee expense included an underaccrual from the fiscal 2011 audit which covered the Company's first year under IFRS conversion.
- A decrease of \$13,206 in office, rent and miscellaneous expense 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.
- A decrease of \$39,038 in shareholder communications and promotion is predominantly a result of the inclusion in fiscal 2012 of \$50,000 for the value of shares issued, and the monthly consulting fees paid, to the Director of Corporate Communications pursuant to her consulting contract. This decrease is partially offset by the cost of attendance at the Novi Show in Detroit, USA and the cost of creating and distributing press releases in 2013.
- A decrease of \$125,297 in share-based compensation expense as the Company granted no options in the third quarter of fiscal 2013. Share-based compensation expense for fiscal 2012 includes the amortization of 2,500,000 options granted in 2012.
- A decrease of \$44,359 in property investigation costs as the Company has not undertaken the review of any new prospective properties in fiscal 2013.
- A decrease of \$322,345 in exploration and evaluation write offs as 2012 included the write off of costs related to the Charge property and one of the Yukon White Gold district claim blocks as these claims were allowed to lapse. In the third quarter of 2013, the Company had a recovery on expenditures related to properties written off in prior years.
- A realized loss of \$21,216 was recorded in 2012 for the disposal of the Company's available for sale investment.

Results of Operations (Continued)

The Company incurred a net loss for the nine months ended September 30, 2013 of \$692,818 compared with a net loss of \$1,490,408 in the prior year. Explanations for the significant variances are provided below:

- A decrease of \$281,250 in management fees is attributable to the termination of the CEO that was hired in May 2012. Pursuant to the terms of the former CEO's contract, monthly fees of \$25,000 were paid and management fees included a charge of \$250,000 related to the value of 2,500,000 shares issued to the CEO pursuant to his consulting contract.
- An increase of \$76,483 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 beginning in mid-fiscal 2012. 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.
- A decrease of \$49,444 in professional fees is predominantly related a decrease in legal fees. The 2012 legal fees included \$50,000 related to the issuance of 500,000 shares to in-house counsel pursuant to his consulting contract. The drop in legal fees is partially offset by increased accounting fees in the first quarter of 2013.
- A decrease of \$26,597 in shareholder communications and promotion related to the elimination of the monthly fees for a director of corporate communications hired in May 2012 and an additional corporate communications individual hired in January 2013. Both positions were terminated in March 2013. This decrease is partially offset by the cost of attendance at the Novi Show in Detroit, USA and the cost of creating and distributing press releases in 2013.
- A decrease of \$201,958 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 nine 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 \$63,825 in property investigation costs as the Company has not undertaken a review of new prospective properties during fiscal 2013.
- A decrease of \$194,187 in write offs of exploration and evaluation expenditures as the Company during 2013 wrote off \$142,118 related to the Walker Property and recorded a net recovery of \$4,072 related to properties written off in prior years. In 2012, the Company wrote off costs related to the Charge property, one of the Yukon White Gold district claim blocks, and 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 in fiscal 2013. No mineral claims were sold in fiscal 2012.
- A realized loss of \$21,216 was recorded in 2012 for the disposal of the Company's available for sale investment.
- A decrease of \$10,226 in investment income as 2012 included dividend income from the available for sale investment which was sold in the third quarter of 2012.

Results of Operations (Continued)

- 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 nine months of fiscal 2013.

Summary of Quarterly Results

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

Three Months Ended	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
	\$	\$	\$	\$
Revenue (investment income)	620	185	22	444
Net Income (Loss)	(153,337)	(68,184)	(471,296)	(4,690,689)
Net Income (Loss) per common share	(0.00)	(0.00)	(0.01)	(0.10)
Three Months Ended	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
	\$	\$	\$	\$
Revenue	3,156	3,866	4,031	7,322
Net Income (Loss)	(1,082,481)	(297,004)	(110,923)	(52,882)
Net Income (Loss) per common share	(0.03)	(0.01)	(0.00)	(0.00)

Liquidity and Capital Resources

The Company's cash and cash equivalent position at September 30, 2013 was \$423,957 compared with a cash and cash equivalent position of \$58,029 at December 31, 2012. At September 30, 2013, the Company had working capital of \$348,510 compared to working capital of \$47,423 at December 31, 2012.

For the nine months ended September 30, 2013, the Company utilized \$506,155 for operating activities and \$313,023 for mineral property expenditures. The Company raised \$966,763 from the proceeds of a private placement net of issue costs, \$118,000 from the exercise of warrants and options, \$90,000 from the sale of its Red Chris South mineral property interests and \$10,314 from the refund of reclamation bonds.

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. Finder's fees of \$1,200 were paid and 12,000 compensation warrants were issued pursuant to the private placement.

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. Finder's fees of \$24,000 were paid and 200,000 compensation units were issued pursuant to the private placement.

Liquidity and Capital Resources (Continued)

In September 2013, the Company closed a private placement in which it issued 650,000 units for gross proceeds of \$208,000. Each unit consisted of one flow-through common share and one half non-flow-through common share purchase warrant. Each whole warrant is exercisable into one common share for an exercise price of \$0.40 for a period of two years.

In October 2013, the Company closed a private placement in which it issued 1,400,000 units for gross proceeds of \$350,000. 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 \$0.40 per share for a period of two years. Finder's fees of \$21,000 were paid and 84,000 compensation warrants were issued pursuant to the private placement.

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

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

Related Party Transactions

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

- a) Incurred management fees of \$90,000 (2012- \$90,000) 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 - \$350,000) 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. The fees in 2012 included \$250,000 representing the value of 2,500,000 shares granted to Mr. Ogilvie pursuant to his consulting contract.
- c) Incurred professional fees of \$55,000 (2012 - \$45,000) to Olga Nikitovic (CFO).
- d) Incurred consulting fees charged to exploration and evaluation expenditures of \$18,750 (2012- \$25,000) to O2 Ltd., a company controlled by Paul Ogilvie and \$Nil (2012- \$18,238) to Roger Steinger (former Director).
- e) Incurred legal fees of \$66,620 (2012 – \$57,610) to Tom Fenton of Aird & Berlis LLP, (Corporate Secretary). Fees relate to legal services of which \$47,487 (2012 - \$52,747) is reflected in professional fees, \$16,719 (2012 - \$Nil) is included in share issue costs and \$2,414 (2012 - \$4,863) is included in deferred transaction 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 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.

Changes in Accounting Policies (Continued)

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.

Critical Accounting Estimates (Continued)

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.

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 November 25, 2013 the Company has 70,682,794 shares outstanding, or 99,845,794 shares on a fully diluted basis. If the Company were to issue 4,607,000 shares upon the conversion of all of its outstanding stock options, and 24,556,000 shares upon conversion of all of its outstanding warrants, it would raise \$7,317,150.

CANADA CARBON INC.

CORPORATE DATA

November 25, 2013

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Bruce Coventry	Director
Greg Lipton	Director
Olga Nikitovic	CFO
Thomas A. Fenton	Corporate Secretary

CAPITALIZATION

Authorized:	Unlimited
Issued:	70,682,794
Escrow:	Nil

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LISTINGS

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Trading Symbol: CCB

Frankfurt Exchange
Trading Symbol: U7N