CANADA CARBON INC.

Management Discussion and Analysis
For The Six Months Ended June 30, 2014

August 22, 2014

The following discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements for the three and six months ended June 30, 2014 and 2013 and the audited financial statements for the years ended December 31, 2013 and 2012 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. (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 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, 2014 of $278,024 compared with a net loss of $539,480 in the prior year.

The Company began to reduce its overhead burn rate in March 2013 with the termination of various management, corporate communications and sales positions and with a head office relocation.

During fiscal 2014, the Company focused all of its efforts on determining the quality and quantity of the lump vein graphite on its Miller property.

Crystallinity and exfoliative behaviour tests on a graphite sample from the Miller property were conducted by Evan Analytical in Liverpool, New York ("EAG"). The crystallinity results were obtained using Raman spectroscopy which determines the degree of crystallinity of certain materials including graphite. A sample of the Miller high-purity graphite was submitted to a “LabRam” J-Y Spectrometer. An Ar+ ion laser (514.5 nm wavelength) with an 1800 gr/mm grating was used for the measurements. The EAG laboratory report indicated that the Raman spectrum was that of a single crystal of graphite. The last step in the exfoliation of graphene from natural graphite is by immersion in a polar solvent, in combination with sonication (high-frequency vibrations induced by ultra-sound emitters). A sample of the high-purity Miller graphite was dispersed in the non-polar solvent carbon disulphide, and without sonication, the sample partially exfoliated. Additional characterization procedures are being conducted on the Miller graphite.

A winter drill program commenced in December 2013 with the objective of testing the three targets on the East block identified by Geotech modelling. The winter campaign encountered bad weather which slowed down the overall drilling. A total of 547 metres in nine holes was completed. During the movement of the drill to one of the target sites, a graphite rich vein (VN3) was exposed. The VN3 discovery was subjected to drilling with six shallow drill holes. The most significant results of the drill program were from the VN3 discovery.

The new vein discovery triggered the Company to halt the drill campaign and perform a ground electromagnetic survey, using a PhiSpy system, over the large VTEM anomaly surrounding one of its East block target areas to find the best targets before drilling resumed. A second PhiSpy survey was performed to cover the area between VN2 and the Miller Mine pit as well as covering IP anomalies from previous surveys. The survey showed many local anomalies. Winter field work included trenching, beep-mat and TDEM surveys, and prospecting on the new PhiSpy anomalies.

The Company obtained a bulk sampling permit to enable the extraction and shipment of 480 tons of graphite bearing material. The Company has stock piled material containing graphite vein mineralization in marble, paragneiss and wollastonite, as well as high-grade lump graphite.

In April 2014, the Company also signed an agreement with Uniroc Construction ("Uniroc") for the crushing of graphite mineralization before shipping it for purification. Uniroc is a concrete supplier and installer that operates three quarries including one that is 2 kilometres away from the Miller Mine graphite property. Securing crushing capacity within such close proximity to the Miller property is expected to make the economics of the operation extremely cost effective as the Company will be able to take advantage of infrastructure already in place, save on capital costs, and minimize operational risks.

Inlandsis Consultants produced a 43-101 compliant Technical Report for the Miller Mine property. The 43-101 was filed on SEDAR in May 2014. The comprehensive report details the exploration programs conducted on the Miller property, as well as a summary of the graphite characterization work reported to date. The authors of the report recommend systematic IP surveying over the known VTEM anomalies and local PhiSpy surveys over anomalous areas in order to detect additional large conductors and generate high-quality targets for prospecting, trenching and drilling. The Company has completed a compilation of all of its available technical data on the Miller property and has identified a list of 11 priority targets and 82

Overall Performance (Continued)

secondary targets of significance that will be worked on during the coming exploration program.

In May 2014, a geophysics survey was commenced over priority target E1, first identified by the VTEM conducted in 2013. The ground electromagnetic survey consisted of a PhiSpy grid. The PhiSpy survey was completed in June 2014 and it resulted in the identification of anomalies ranging from a few metres to 25 metres. An IP survey indicated a total of eight anomalies of which four were of particular interest. Trenching was conducted over the anomalies. The most interesting results were over anamoly (E1-6) where multiple graphite veins were found over a 1 metre width within a graphitic skarn. It is believed that the veins of the graphite suggest that a graphite rich body is the source of the anomaly at depth. The Company expanded the geophysical grid toward the NW and SE to gather further data on the open extensions of the targets. The extended IP survey found that two anomalies connect together to form a large anomaly that will be a prime target for drilling. The Company will carry out a minimum 400 m drill program to cover seven different drill hole targets that have been selected based on the IP and trenching results.

In June 2014, the Company reported that SGS had completed a metallurgical test program on a 50-kilogram composite of the Miller hydrothermal lump vein graphite. The Company sent approximately 50 kg of graphite material to SGS to develop a flotation concentration flowsheet which would optimize the preservation of the crystalline graphite structure as well as its particle sizes, in order to maximize the potential economic value of this high-purity graphite. SGS provided the Company with exceptional flotation concentration optimization results, including: a) three different large-crystal fractions assaying at 100.0% C(t), representing more than 30% (by weight) of the total graphite concentrate; b) an improvement in the combined concentrate grade to 98.4% C(t); and, c) more than 70% (by weight) of the concentrate fractions grading >98% C(t). Even the smallest size fraction of less than 400 mesh graded in excess of 95% C(t). These results were obtained through conventional flotation only without chemical treatment (i.e. without the use of strong bases or acids). SGS has identified an opportunity that may increase the carbon content of the +48 mesh and +32 mesh size fractions further through an adjustment of the flotation circuit and conditions.

The Company submitted a sample of the 100.0% C(t) graphite concentrate from SGS to Evans Analytical for impurity analysis by Glow-Discharge Mass-Spectrometry (GDMS). The objective of the GDMS analysis on the sample was to provide a measurement of the concentrations of impurities that can be achieved using conventional mineral processing technologies consisting of grinding, size classification, and flotation only. Results of the GDMS analysis indicated that following Rapid Thermal Upgrading ("RTU"), calculated purities of the treated samples ranged up to 99.98% C(t). A total of six separate GDMS analyses were conducted and Equivalent Boron Content ("EBC") concentrations were determined for each, in accordance with established methods (range 1.18-2.61 ppm). In every case, the EBC values were well below the international standard for nuclear graphite, set at 5 ppm.

In August 2014, the Company announced that it contracted with SGS Canada to scale up the highly successful bench-scale flotation concentration process to pilot plant scale. In order to proceed, SGS has had to source and obtain additional equipment, which has delayed the initiation of this engineering work, now scheduled to begin on August 20th, 2014. The processing will be conducted in phases, with the initial 100 tonne (approximate) sample to be crushed and shipped by mid-August 2014.

In April 2014, the Company closed a flow through private placement which provided the Company with gross proceeds of $825,000. The Company will require additional funds for its administrative costs. Management believes the necessary funds will be raised through the exercise of outstanding warrants and options. In August 2014, the Company received proceeds of $530,000 from the exercise of warrants and $25,000 from the exercise of options.

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. The report recommended that 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.

The Company has not conducted any exploration work on the Asbury property during 2014 as it has focused its attention on exploring the Miller property.

As of March 31, 2014, the Company had incurred $654,379 of acquisition costs and $498,687 of exploration and evaluation expenditures on the Asbury claims, net of recoveries. During the six months ended March 31, 2014, the Company incurred $55,000 in deferred exploration expenditures related to the reversal of previously booked Quebec tax credits.

Operating Activities- Exploration Properties

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. 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. consisted 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 km^2 of land and is located 80 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 km^2 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 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 high quality lump/vein graphite.

Based on the encouraging results of the February and March 2013 sampling, the Company focused 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 km^2 of the Miller property land package was surveyed at that time.

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.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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.

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.

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.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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.

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 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. 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.

Operating Activities- Exploration Properties (Continued)

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 collectively demonstrate that the graphite and wollastonite mineralization exposed at surface extends to a depth of 39m. Deeper extensions suggested by core observations 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. 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 (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**
		including	*1.00*	*1.30*	*0.30*	***53.60***
		and	*1.70*	*2.60*	*0.90*	***51.70***
			3.00	7.50	4.50	**2.51**
			7.50	9.60	2.10	**9.65**
		including	*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**
		including	*0.80*	*1.10*	*0.30*	***6.33***
			46.70	48.70	2.00	**6.14**
		including	*47.50*	*48.40*	*0.90*	***15.14***
Drillhole	**Azimuth, degrees**	**Inclination, degrees**	**From, m**	**To, m**	**Interval, m***	**%Cg**
DDH13-04	240	-55	27.00	28.00	1.00	**4.70**
		including	*27.60*	*27.75*	*0.15*	***11.90***
			39.50	42.00	2.50	**8.12**
		including	*41.30*	*41.80*	*0.50*	***14.50***
			48.00	49.50	1.50	**4.20**
		including	*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**

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

Trench Sample Results for the Miller Graphite Project

Sample material	Channel width, cm	Channel length, m	%Cg
VN2	2.5	1.3	**28.2**
	including	*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**

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

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.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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 145 claims contiguous to the Miller graphite claims of which 90 are still pending government approval.

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.

The VTEM 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 km^2 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 anomalies were later modeled to give drill targets to Canada Carbon.

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.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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 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.

Environmental assessment activities have commenced on the property. 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 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 applied for a bulk sampling permit which would enable extraction and shipping of large samples of graphite-bearing material. The Company has multiple stockpiles of graphite bearing material some of which were 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.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

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.

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.

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 planned 1,000 m drill campaign conducted by George Downing Estate Drilling Ltd. commenced in December 2013 to test these three targets.

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 was conducted by Geotech on the West claim block, which was surveyed by VTEM airborne survey simultaneously with the East block.

In December 2013, the Company announced results from additional chemical characterization testing of purified graphite concentrate from the Miller property. A sample of the Miller vein graphite was subjected to a two stage caustic roast/acid leaching process, by SGS Canada Ltd., which was then submitted to Evans Analytical Group, of Liverpool, New York ("EAG") for full survey chemical analysis by glow discharge mass spectrometry (GDMS). The sample was analyzed both as received, and also subsequent

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

to rapid high temperature heat treatment in an inert atmosphere, to provide comparison of the total contaminants before and after heat treatment. Total measured elemental impurities before heat treatment were greater than 246 ppm by weight. Total measured impurities after heat treatment were less than 23 ppm. Thus, more than 90% of the contaminants were removed from this graphite by rapid thermal upgrading, yielding graphite of 99.9978% purity. It should be noted that industry standard assay methods used by graphite exploration companies are unable to determine graphite purity beyond 99.9%. The techniques used here make possible a much more precise measurement of overall purity.

Specific elements which were found in the pre-treated sample, but no longer detectable after thermal treatment include: chromium, copper, iron, lead, magnesium, manganese, phosphorus, strontium, titanium, yttrium, zinc, and zirconium. In addition, aluminum, boron, calcium, chlorine, silicon, sodium, and sulphur were also reduced significantly (decreased by 50% or more). Heat treatment conditions were: flowing helium atmosphere (100 mL/min); temperature 2000-2200 C.; duration 10 minutes.

The thermally upgraded graphite (99.9978% Cg) easily exceeds the overall purity threshold for nuclear grade graphite (99.97% Cg). Another nuclear grade purity criterion is the Boron Equivalent Content (BEC), a measure of the neutron capture potential of the elemental contaminants in the graphite. Based on only the three detected elements (boron, chlorine, and nickel) among the list of sixteen elements typically considered for the calculation of the Boron Equivalent Concentration, the BEC of this graphite sample was 0.164 ppm. When the detection limits for the other 13 elements were included (as per ASTM methods), the BEC was not more than 0.966 ppm, well below the strictest standard (2 ppm BEC) typically applied to nuclear graphite purity specifications.

The Company also reported the results of crystallinity and exfoliative behaviour tests conducted by EAG. The crystallinity results were obtained using Raman spectroscopy, which definitively determines the degree of crystallinity of certain materials, including graphite. Raman spectroscopy is the collection of light inelastically scattered by a material or compound. When a light of known wavelength strikes a material, the light is shifted according to the chemical functionalities of the material. The intensity of this shifted light depends on both molecular structure and macrostructure. As a result of these phenomena, the collection of the shifted light gives a Raman spectrum that can provide direct information regarding the molecular vibrations of the compound or material. We can then interpret this information to determine chemical structure, organization, and in some cases, non-covalent intermolecular interactions. The Raman spectrum of graphite is very well characterized, which permits clear interpretations of the Raman spectra of graphite test materials, based on the component peak intensities and positions of the spectral features.

A sample of the Miller high-purity graphite was submitted to a “LabRam” J-Y Spectrometer. An Ar+ ion laser (514.5 nm wavelength) with an 1800 gr/mm grating was used for the measurements. The EAG laboratory report summarizes the results, as follows: “The Raman spectrum was that of a single crystal of graphite. The crystalline quality of the graphite was better than any other industrial graphite sample we at EAG have analyzed to date.”

Currently, most producers intent on separating natural graphite into individual sheets (graphene) or low-multiple sheet graphene use variations on Hummer’s Method, which involves some very harsh chemicals that can oxidize the graphene sheets. Those defects can be partially repaired by chemical reduction, yielding reduced graphene oxide. The quality of the graphene produced by this method is not only variable, it can be quite poor when compared to graphene produced by synthetic methods. Synthetic graphene, although often of very high quality, is much more expensive to produce.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

The last step in the exfoliation of graphene from natural graphite by Hummer's method (the actual separation of the individual graphene layers) is by immersion in a polar solvent, in combination with sonication (high-frequency vibrations induced by ultra-sound emitters). Dr. Karol Putyera, working at EAG, dispersed a sample of the high-purity Miller graphite in the non-polar solvent carbon disulphide, and without sonication, the sample partially exfoliated. Dr. Putyera of EAG remarked, "In combination with the exceptional high purity and highly crystalline nature of the Miller graphite, this dispersion behavior could lead to solution-based processing of this material for producing graphene, which opens up a wide range of potential applications."

Other characterization procedures, including X-Ray Diffraction Spectroscopy (XRD), to provide greater insight into the crystalline nature of the Miller graphite, and Scanning Electron Microscopy (SEM), to provide visual images of the crystals, are also being conducted.

In December 2013, the Company acquired a 100% interest in eight claim units referred to as the Calumet Claims from Caribou King Resources Ltd. The claims are contiguous to the historic Miller Graphite Mine.

The Company accompanied by technical and legal advisors, met in Ottawa with a number of federal government officials from various agencies, to ensure that the Company is in full compliance with import/export controls, licensing, and documentation required by domestic and international law with respect to production and shipments of nuclear and military grade graphite. The Company anticipates additional meetings with federal government officials.

In February 2014, the Company provided an update on the advancement of its winter exploration program which commenced in December 2013. Drill hole DDH13-09 confirmed that the E2 anomaly is associated with a sulfide-rich intersection with minor disseminated graphite. Drill hole DDH13-10 targeted the E3 anomaly and encountered a wide intersection of minor and disseminated graphite in marble. During movement of the drill to the E3 drill site, a graphite-rich vein (VN3) was exposed over two metres in width and along strike for five metres before pinching out. The VN3 discovery was subjected to drilling with six shallow drill holes targeting the vein at depth and along its projected extension on strike and at depth. The winter campaign encountered bad weather, which slowed down the overall drilling production. A total of 547 metres in nine holes was completed in this phase of the program.

Half splits of the drill core were delivered to Actlabs (Ancaster, ON) for gold, base metal and graphite assays. The results are reported using protocol 4F-C graphitic 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. Quality control and assurance performed by Actlabs on in-house standards and blanks produced acceptable results.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

Highlights of the drilling results are presented below.

Drillhole	Azimuth, degrees	Inclination, degrees	From, m	To, m	Interval, m*	%Cg
DDH13-15	275	50	6.00	7.80	1.80	**48.60**
		including	*6.00*	*6.50*	*0.50*	**63.20**
DDH13-14	275	45	4.00	7.50	3.50	**6.80**
		including	*4.00*	*4.30*	*0.30*	**50.50**
DDH13-11	240	55	10.00	12.30	2.30	**8.10**
		including	*10.00*	*10.90*	*0.90*	**11.00**
DDH13-12	245	45	11.50	22.00	10.50	**2.00**
		including	*16.50*	*21.00*	*4.50*	**3.50**
DDH13-17	280	45	2.00	15.00	13.00	**1.00**
		including	*4.80*	*9.10*	*4.30*	**1.60**

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

The most significant results are from the new vein discovery VN3 where drilling in core hole DDH13-15 encountered 48.60% C graphite (Cg) over 1.8 metres, including 63.20% Cg over 0.5 metres. This intersection of graphite occurs 4.6 metres (vertically) beneath the VN3 showing. DDH13-14 intersected a graphite vein grading 50.50% over 0.30 metres in 3.50 interval metre interval grading 6.80% Cg between the surface and the DDH13-15 graphite mineralization. The VN3 showing remains open at depth.

The other hole of interest is hole DDH13-11, which targeted a wollastonite-graphite pod located 22.5 metres southeast of the VN2 showing in the trench area. The hole was successful in extending the mineralization hosting the pod to a depth of 8.19 metres (vertically) beneath the surface showing. Grades similar to other graphite pods, specifically 8.10% Cg over 2.3 metres including 11.00% Cg over 0.90 metres. The pod southeast of the VN2 showing is suspected to be within the same mineralized corridor that extends to at least 39.3 metres (vertically) beneath the VN2 showing. The mineralized corridor also remains open at depth.

Many lower grade intersections were also sampled during drilling. Some of the lower grade mineralization includes graphitic marble grading 2.00% over 10.50 metres including 4.50 metres at 3.50% Cg and 1.00% over 13.00 metres including 4.30 metres at 1.6% Cg. Isolated values range between traces amount of graphite and 4.00% Cg. No significant gold or base metal assays were obtained. The geochemistry information will be used to determine alterations patterns and to better interpret the encountered rock units.

The new vein (VN3) discovery triggered the Company to halt the drill campaign and perform a ground electromagnetic survey over the large VTEM anomaly surrounding target E3 to find the best targets before drilling resumed. Dubé & Desaulniers Geoscience Ltd. (Ottawa) was engaged to perform a ground electromagnetic survey using the PhiSpy system. This portable time-domain EM system enables the detection of conductive rocks at optimum depths of 10 to 20 metres, with the results seen in real time on a display screen. This allows for the strongest anomalies to be immediately identified for further testing.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

The PhiSpy survey was performed over a 0.11 square kilometre area centered on VN3 with line spacing between 10-20 metres for a total of 12.7 line kilometres. The survey identified 14 anomalies ranging between 5 and 54 metres in maximum dimension. The widest anomaly was discovered in the vicinity of the E3 target identified previously by Geotech, and the Company worked with Geotech to re-interpret their results to include the PhiSpy data. Additional data from the core and surface showings are being incorporated to identify drill targets in this area.

A second PhiSpy survey was performed to cover the area between VN2 and the Miller Mine pit as well as covering IP anomalies from previous surveys. The survey showed many local anomalies along with two bigger anomalies of similar size to the VN2 anomalies. Winter field work included trenching, beep-mat and TDEM surveys, and prospecting on the new PhiSpy anomalies in the VN3 area and the Miller Mine area. Drilling was planned to resume once reinterpretation of all results are complete. Existing targets include the new VN3 showing, the trench area where the VN2 surface mineralization is established to a depth of 39.3 metres, and the E1 anomaly, along with the many PhiSpy anomalies.

In March 2014, the Company announced that it received its bulk sampling permit which gives permission to collect and ship up to 480 tons of graphite-bearing material from its Miller Mine graphite property in Quebec. According to the authorization delivered by the Ministry of Natural Resources of Quebec, up to 480 tons of material may be extracted for mineralogical testing as well as for distribution to potential purchasers. The sample must be collected between March 15th and September 15th, 2014, and the results of the treatment must be reported to the Ministry by September 15th, 2015. The bulk sample was requested to test the historically mined trench area of the property, along with multiple veins of graphite mineralization found over the area during field exploration by the Company. Stockpiles of graphitic material from historical production have been found in various areas around the former mine and can also be sent out for the purpose of bulk sampling. The removal of surface material in the trench will also help the Company to understand the distribution of graphite pods and veins along the mineralized corridor it has discovered. Due to delays in sourcing equipment by SGS, the Company obtained a written extension of the bulk sample treatment deadline to February 15th, 2015, from the Quebec Ministry of Natural Resources.

In April 2014, the Company also signed an agreement with Uniroc Construction ("Uniroc") for the crushing of graphite mineralization before shipping it for purification. Uniroc is a concrete supplier and installer that operates three quarries including one that is 2 kilometres away from the Miller Mine graphite property. Securing crushing capacity within such close proximity to the Miller property is expected to make the economics of the operation extremely cost effective as the Company will be able to take advantage of infrastructure already in place, save on capital costs, and minimize operational risks.

In April 2014, the initial purification process testing of the Miller Mine graphite material commenced. The Company sent approximately 50 kg of graphite material to SGS to develop a flotation concentration flowsheet which would optimize the preservation of the crystalline graphite structure as well as its particle sizes, in order to maximize the potential economic value of this high-purity graphite. This work will lead to the design criteria for the flotation pilot plant.

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

On May 5, 2014, SGS provided preliminary results obtained in a single batch cleaner test from the 50 kg sample testing. A first exploratory batch cleaner flotation test confirmed an excellent metallurgical response. Initial test results showed:

- The reconstituted head grade of the sample was 43.8% C(t)
- The carbon recovery into a preliminary flotation concentrate was 98.2%. The grade of this concentrate was 94.1% C(t) based on the reconstituted head grade from the size fraction analysis.
- The results of the size fraction analysis are presented in the table below:

Produce	Weight %	Assays, % C(t)	%Distribution C(t)
+32 mesh	4.0	98.4	4.2
+48 mesh	14.4	97.8	15.0
+65 mesh	12.3	99.5	13.0
+80 mesh	7.4	98.7	7.8
+100 mesh	7.7	97.6	8.0
+150 mesh	12	95.5	12.2
+200 mesh	9.9	92.8	9.8
+325 mesh	12.7	85.1	11.5
+400 mesh	3.9	92.0	3.8
-400 mesh	15.7	88.8	14.8
Head (calc.)	100.0	94.1	100.0

(All reported results have an associated measurement uncertainty based on the expected precision and accuracy relating to the method and sample concentration).

- 38.1% of the mass reported to the +80 mesh size fractions at a combined (weighted average) concentrate grade of 98.6% C(t)
- All size fractions larger than 150 mesh yielded grades of at least 95.5% C(t)

The testing by SGS will also determine how each size fraction responds to the caustic-roast/acid-leach upgrading process, so that estimates for a cost/benefit analysis for the economics of that extra processing can be developed. In addition, further tests are being completed to optimize the flake size distribution and concentrate grade.

On May 22, 2014, an update on the SGS flotation concentration tests was provided and can be found on the Company's website. The test results indicate a reproducible high yield of large (+65 mesh) graphite crystals at a grade of 99.7% C(t) can be achieved, with the application of the simple flotation and polishing techniques already commonly employed in the natural graphite industry.

The Company engaged Inlandsis Consultants to produce a NI 43-101 compliant Technical Report for the Miller Mine Property. The 43-101 was filed on SEDAR in May 2014. The comprehensive report details the exploration programs conducted on the Miller property, as well as a summary of the graphite characterization work reported to date. The authors of the report recommend systematic IP surveying over the known VTEM anomalies and local PhiSpy surveys over anomalous areas in order to detect

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

additional large conductors and generate high-quality targets for prospecting, trenching and drilling. The report recommends that an IP survey and trenching program be carried out in the trench area to extend known mineralization laterally and at depth.

The Company has completed a compilation of all of its available technical data on the Miller property and has identified a list of 11 priority targets and 82 secondary targets of significance that will be worked on during the coming exploration program. The exploration program will be carried out in four phases.

Prospecting and beep mat surveying will be carried out on all of the priority and secondary targets in Phase 1. Phase 2 will cover all priority targets with ground IP surveying to better define conductor locations. Local ground EM surveys covering IP anomalies and including any Phase 1 discoveries will detect any near surface mineralization that will be further assessed by trenching during Phase 3. Deeper targets and extensions of surface showings will be sampled by drilling during Phase 4.

In May 2014, the Company announced that Dubé & Desaulniers Geoscience Inc. would proceed with a 320 m by 320 m geophysics survey over priority target E1, first identified by aerial geophysics (VTEM) conducted in 2013. The area to be surveyed is centered over a 180 m by 100 m strongly conductive VTEM anomaly that lies at the heart of the 400 m (radius) E1 VTEM target previously reported. Trenching will then be done over each anomaly generated by the ground EM survey. The ground survey can be readily expanded, based on the results of surface prospecting in the E1 target zone. The ground EM survey will consist of a PhiSpy grid with line spacing of 20 m.

Target E1 is easily accessible by bush road, and is located 750 m north of the Miller mine pit. E1 corresponds with a large conductive anomaly that is located on the edge of a 1.3 km long fold structure, at the hinge zone of the fold. The magnetic maps also indicate a contact between two geological units in the zone to be surveyed. The area's geological maps show a succession of paragneiss, marble and skarn rocks, and that the target would reside in the continuity of the marble and skarn units. This anomaly was previously selected for modelling by Geotech which interpreted it as a horizontal plate that is 130 m long by 120 m wide which dips at -20 degrees. The dip direction is parallel to the hinge of the interpreted folded structure, with the modeled plate parallel to the fold. The top of the modelled plate is located at about 140 m from surface.

The PhiSpy survey was completed in June 2014 and resulted in the identification of anomalies ranging in size from a few meters up to 25 m. The near-surface anomalies are primarily located on the southwest part of the grid, whereas the structural features and airborne anomalies are located toward the northeast part of the grid.

The IP survey consisted of four 480 m lines oriented in a SW-NE direction that covered an area of 500 by 150 m. The spacing between the grid lines was 50 m and the distance between pole and dipole was 12.5 m to obtain optimal resolution and depth of penetration. The survey results show interpreted models of conductivity and chargeability. A total of 8 IP anomalies located in close proximity to the interpreted structural features were identified, of which 4 are of particular interest (E1-4, E1-6, E1-7 and E1-8). Anomaly E1-4 is centered over the airborne VTEM anomaly, suggesting that its source could be common to both anomalies. Both the VTEM and the IP anomaly are located within a marble unit which is of interest since both the historic Miller Mine and the VN3 showing are hosted in marble. This anomaly connects at depth, with other anomalies present, and extends for the width of the entire grid (150 m) in a NW-SE direction. Initial trenching has revealed small graphite veins in the exposed bedrock surface. Anomaly E1-6 seems to come close to surface on line L150. This anomaly lies on the contact between marble and paragneiss units. The contact will be the focus of trenching since an identical contact hosts the VN1 and VN2 showings. This anomaly follows the structural feature over the width of the whole grid (150 m). Both anomaly E1-7 and E1-8 are located in paragneiss outcrops, where graphite exposures

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

were observed. Anomaly E1-7 is strong on lines L0 and L100, and seems to be subcropping on line 100, but appears to lie at greater depth on line L0. Anomaly E1-8 is also of interest, but is only poorly defined since it is at the edge of the surveyed grid and its size is currently undefined. Maps of the chargeability models and interpretation can be found on the Company's website.

A trenching program commenced on June 18, 2014 to work on the defined PhiSpy and IP anomalies. Trenching was done over the four main IP anomalies. Disseminated graphite was found in most of the exposures, and drilling will be necessary to find the anomalies sources. The most interesting results were provided by a trench over anomaly E1-6 on Line 0, where multiple graphite veins were found over a 1 metre ("m") width within a graphitic skarn. The skarn can be followed over the trench length of 15 m, extending towards the south-east, and beyond the geophysical grid. Twenty metres on-strike from the southeast extension of the skarn, and also outside of the initial IP grid, a former exploration pit was discovered which showed graphite vein mineralization. It does not appear as if any of this graphitic material was removed from the area, as the pit is surrounded by piles of graphite-containing blocks. Additionally, a 20 centimetre block of lump graphite was discovered south of the initial geophysical grid. In the immediate area of the block, a subcrop of marble, pegmatite and graphitic skarn was discovered, which is similar to the mineralization of the historic Miller Mine.

IP anomaly E1-6, on Line 0, was modelled as laying at 20 to 30 m depth. For that reason, the bedrock graphite vein discoveries revealed by trenching there were somewhat unanticipated. These veins of graphite would strongly suggest that a graphite rich body is the source of the anomaly at depth. Because the modelled chargeability axis E1-6 crossed the entire 150 m width of the original IP grid, and remained strong at the boundaries, the Company decided to extend the geophysical grid towards the NW and SE to gather further data on the open extensions of the targets. Additional survey lines were also placed at the NE extension of each previous IP line to better define the strong anomaly E1-8.

Trenching is being carried out over the new anomalies to quickly find surface indicators that can be associated with the anomaly sources. The trenching program primarily targets extensions to anomalies E1-4, E1-6, E1-7 and E1-8 that are continuous over most of the grid area. On the southeast portion of the second IP survey, the E1-4 and E1-6 anomalies connect together to form a large anomaly that will be a prime target for drilling. Any graphite mineralization which is discovered will be subject to channel sampling and assaying. The Company has selected collar locations for a Phase 1 drill program that will test the most significant anomalies generated by both of the IP surveys. A minimum of 400 m of drilling in 7 different drill holes has already been selected based on the IP and trenching results.

In June 2014, the Company reported that SGS had completed a metallurgical test program on a 50-kilogram composite of the Miller hydrothermal lump vein graphite. SGS provided the Company with exceptional flotation concentration optimization results, including: a) three different large-crystal fractions assaying at 100.0% C(t), representing more than 30% (by weight) of the total graphite concentrate; b) an improvement in the combined concentrate grade to 98.4% C(t); and, c) more than 70% (by weight) of the concentrate fractions grading >98% C(t). Even the smallest size fraction of less than 400 mesh graded in excess of 95% C(t). These results were obtained through conventional flotation only without chemical treatment, i.e. without the use of strong bases or acids. SGS has identified an opportunity that may increase the carbon content of the +48 mesh and +32 mesh size fractions further through an adjustment of the flotation circuit and conditions. This opportunity is being tested.

The Company submitted a sample of the 100.0% C(t) graphite concentrate from SGS to Evans Analytical for impurity analysis by Glow-Discharge Mass-Spectrometry (GDMS). The objective of the GDMS analysis on the sample was to provide a measurement of the concentrations of impurities that can be achieved using conventional mineral processing technologies consisting of grinding, size classification, and flotation only. Results of the GDMS analysis indicated that following Rapid Thermal Upgrading

Operating Activities- Exploration Properties (Continued)

Miller (Continued)

("RTU"), calculated purities of the treated samples ranged up to 99.98% C(t). A total of six separate GDMS analyses were conducted and Equivalent Boron Content ("EBC") concentrations were determined for each, in accordance with established methods (range 1.18-2.61 ppm). In every case, the EBC values were well below the international standard for nuclear graphite, set at 5 ppm.

RTU had inconsistent effects on the three graphite samples. This variability was primarily with respect to Silicon, so the effect of RTU was calculated both including Silicon, and excluding it. For each of the samples, the Silicon concentration represented the majority of the total impurity burden (range 150-2000 ppm, by weight; 0.015 to 0.20 %, by weight, of the samples). As Silicon is commonly seen in hydrothermal systems as its oxide, SiO_2 (silica), it is possible that the graphite particles were incompletely liberated from their hydrothermal matrix by flotation concentration alone. Although chemically inert, silica can be substantially removed using the caustic roast process. There are therefore opportunities to further upgrade the flotation concentrate without any requirement for acid leaching, with its attendant environmental concerns.

In August 2014, the Company announced that it contracted with SGS Canada to scale up the highly successful bench-scale flotation concentration process to pilot plant scale. In order to proceed, SGS has had to source and obtain additional equipment, which has delayed the initiation of this engineering work, now scheduled to begin on August 20th, 2014. The processing will be conducted in phases, with the initial 100 tonne (approximate) sample to be crushed and shipped by mid-August 2014.

Rémi Charbonneau, Ph.D., P. Geo, an Associate of Inlandsis Consultants s.e.n.c. is the Independent Qualified Person under National Instrument 43-101 for the Company.

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.

During fiscal 2014, the Company staked three additional claims continuous with and connecting the Dun Raven A and Dun Raven G claims and allowed the Dun Raven A Extension claims to expire.

The Company has not conducted any exploratory work on the Dun Raven claims as it is currently focused on its Miller property.

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 June 30, 2014, the Company incurred $371,515 of acquisition costs and $620,195 of exploration and evaluation expenditures on the Miller and Dun Raven properties, net of write-offs and recoveries. For the three months ended June 30, 2014, the Company incurred $3,224 of acquisition costs and $110,083 in exploration and evaluation expenditures. A breakdown of the nature of the costs incurred is provided in the notes to the condensed interim financial statements.

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 covered 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 at December 31, 2013, the Company determined that it would not develop the Maria Graphite claims, therefore, the exploration and evaluation expenditures were written off accordingly.

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 metres. Additional surface work conducted in 2011 identified interesting anomalies.

Given the Company's limited cash position and its focus on graphite, future work on the property was 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 metre 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 metres apart with samples collected at 100 metre 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, 2014, the Company had incurred $148,721 of acquisition costs and $72,558 toward exploration and evaluation expenditures related to the Yukon claims, net of recoveries. For the six months ended June 30, 2014, the Company did not incur any expenditures on the White Gold district 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.

Arcadia

In 2007, the Company entered into an 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.

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.

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 dropped its interest in the property in 2013.

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, 2014, the Company had not recorded any significant revenues.

The net loss for the three months ended June 30, 2014 was $144,277 compared with a loss of $68,184 for the same period in the prior year. Explanations for the significant variances are provided below:

- An increase of $11,219 in professional fees predominantly related to legal action against Stockhouse defamers.

- An increase of $42,435 in shareholder communications and promotion expense as the Company incurred expenditures to disseminate information regarding its exploration findings through the development of videos, road shows, press releases and other channels.

- A $66,662 decrease in share-based compensation as there were no options granted in fiscal 2014. The amortization of the black scholes value of vested options granted in the fourth quarter of 2013 has been charged to exploration and evaluation expenditures as the options were granted to consultants that provide services related to the Miller property. There were 1,450,000 options granted in the first six months of fiscal 2013 to directors and officers and the black scholes value related to those options was charged to the statement of operations.

- An increase of $4,803 in travel expense relates to road show expenses in Montreal and attendance at a Graphite conference.

- An increase of $2,019 in investment income as the Company had higher average cash balances in fiscal 2014.

- In fiscal 2013, the Company sold its interest in the Red Chris south mineral claims resulting in a gain of $95,000. There were so sales of mineral claims in fiscal 2014.

- In fiscal 2013, the Company incurred a loss of $9,748 related to the disposal of its equipment as part of the terms of the assignment of the lease of the Oakville office. There is no similar loss in fiscal 2014.

The net loss for the six months ended June 30, 2014 was $278,024 compared with a loss of $539,480 for the same period in the prior year. Explanations for the significant variances are provided below:

- a decrease of $68,750 in management fees related to the termination of Paul Ogilvie as CEO in March 2013.

- a decrease of $95,929 in sales and marketing costs as the Company terminated the Vice President of Development and a Director of Sales and Marketing in March 2013.

- an increase of $31,170 in professional fees primarily attributable to a $42,196 increase in legal fees and a $11,026 decrease in accounting fees. Legal fee increases relate to permitting for the Miller property, government discussions regarding nuclear graphite implications and legal action against Stockhouse defamers. In the first quarter of fiscal 2013, additional accounting fees of $10,000 were paid to reflect additional workload. A similar payment was not made in fiscal 2014.

Results of Operations (Continued)

- a decrease of $27,013 in office, rent and miscellaneous fees primarily related to the relocation of head office from Oakville, thereby eliminating rent expense.

- an increase of $14,172 in shareholder communications and promotion primarily related to expenditures incurred to disseminate information regarding the Company's exploration findings through the development of videos, road shows, press releases and other channels. The increased expenditures were partially offset by the elimination of fees paid to the former Director of Corporate Communications and the former Corporate Communications Manager who were terminated in March 2013.

- an increase of $8,306 in transfer agent and filing fees primarily attributable to fees related to the shareholder rights plan and an increase in annual TSXV sustaining fees.

- a decrease of $142,258 in write off of exploration and evaluation assets as the Company wrote off its interest in the Walker property in the first quarter of 2013 and no write offs have been taken to-date in 2014.

Explanations for the decrease of $69,790 in share-based compensation, elimination of the $95,000 gain on disposal of exploration and evaluation expenditures and $9,748 loss on disposal of equipment and increases of $3,348 in investment income and $9,726 in travel and accommodation expense were provided in the analysis of variances for the three months ended June 30, 2014.

Summary of Quarterly Results

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

Three Months Ended	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**
	$	$	$	$
Revenue (investment income)	2,204	1,351	1,523	620
Net Income (Loss)	(144,277)	(133,747)	(354,721)	(153,337)
Net Income (Loss) per common share	(0.00)	(0.00)	(0.01)	(0.00)
Three Months Ended	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
	$	$	$	$
Revenue	185	22	444	3,156
Net Income (Loss)	(68,184)	(471,297)	(4,690,689)	(1,082,481)
Net Income (Loss) per common share	(0.00)	(0.01)	(0.10)	(0.03)

Liquidity and Capital Resources

The Company's cash and cash equivalent position at June 30, 2014 was $798,532 compared with a cash and cash equivalent position of $626,715 at December 31, 2013. At June 30, 2014, the Company had working capital of $919,884 compared to working capital of $657,838 at December 31, 2013.

For the six months ended June 30, 2014, the Company utilized $381,496 for operating activities and $224,542 for mineral property expenditures. The Company raised $747,858 from the proceeds of private placements, net of issue costs, and $30,000 from the exercise of warrants.

In April 2014, the Company completed a flow-through private placement in which it issued 4,125,000 units for gross proceeds of $825,000. Each unit consisted of one flow-through common share and one half non-flow-through share purchase warrant with each whole warrant exercisable at $0.25 per share for eighteen months. Finder's fees and compensation warrants were issued.

With the closing of the April 2014 private placement, the Company has sufficient cash to carry out its planned work programs for the next eight to twelve months on its Miller property however, it will require additional funds to cover its administrative expenses for the same period of time. The Company anticipates raising $600,000 from the exercise of warrants and options to meet its overhead funding needs. In August 2014, the Company has received $530,000 from the exercise of warrants and $25,000 from the exercise of options.

There were no material credit facilities in place as at June 30, 2014.

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, 2014, the Company entered into the following transactions with related parties:

a) Incurred management fees of $60,000 (2013 - $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 CEO.

b) Incurred management fees of $Nil (2013 - $68,750) 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 $30,000 (2013 - $40,000) to Olga Nikitovic (CFO).

d) Incurred consulting fees charged to exploration and evaluation expenditures of $Nil (2013 - $18,750) to O2 Ltd., a company controlled by Paul Ogilvie.

e) Incurred legal fees of $15,986 (2013 - $24,945) to Tom Fenton of Aird & Berlis LLP, (Corporate Secretary). Fees relate to legal services of which $9,810 (2013 - $15,119) is reflected in professional fees and $6,176 (2013 - $9,826) is included in share issue costs. As at June 30, 2014, $Nil (2013 - $1,664) was included in accounts payable. This amount is unsecured, non-interest bearing and payable on demand.

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 $Nil (2013 - $66,662).

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

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of IAS 32 has not materially impacted the Company's financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of IAS 36 has not materially impacted the Company's financial statements.

Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

Critical Accounting Estimates (Continued)

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 cash equivalents classified as held-for trading are carried at fair value. 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. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. The receivables relate to sales tax due from the Federal and Provincial governments and a Quebec tax credit. The Company has no significant concentration of credit risk arising from operations.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations when they come due. The Company generates cash flow through its private placements in the equity markets. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company requires additional equity financing to fund its fiscal 2014 work programs and operating expenditures. Management believes that it will be successful in

Financial Instruments (Continued)

raising the necessary funds however, there are no assurances that additional funds will be available on terms acceptable to the Company or at all. In August 2014, the Company received $555,000 from the exercise of warrants and options.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt therefore, interest rate risk is minimal.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at June 30, 2014 would not have a significant impact on the Company's financial statements.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices and equity prices. Commodity price risk is the potential adverse impact on the Company's earnings and value due to volatility in commodity price movements. Equity price risk is the potential adverse effect on the Company due to movements in individual equity prices or the stock market in general. The Company closely monitors commodity prices, individual equity movements and the stock market volatility to determine the appropriate course of action to be taken by the Company.

Commodity prices could adversely affect the Company's future profitability. Even though the Company is not currently a producer and is not expected to be for a number of years, commodity prices may affect the completion of future equity financings and therefore, the Company's liquidity and its ability to meet its ongoing obligations.

(d) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next three-month period.

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.

Risks and Uncertainties

The Company's financial condition, results of operation and business are subject to risks. The following are identified as the main risk factors:

Financing
The Company is reliant upon equity financing in order to continue its operations because it is in the business of mineral exploration and does not derive any income from its mineral assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations and may lose its interests in its mineral properties.

General Resource Exploration Risks and Competitive Conditions
The resource exploration industry is an inherently risky business with large capital expenditures and volatile commodity markets. The marketability of any resource discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, costs to develop, infrastructure and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral properties as well as for the engagement of qualified contractors. Commodity prices can fluctuated widely, and they are determined in markets over which the Company has no influence.

Governmental Regulation
Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties is affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, water use, land use, land claims of local people, restrictions on production, price control, tax increases, maintenance of claims and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, and contractors to ensure compliance with current laws.

Permits and Licenses
The operations of the Company are subject to a numerous laws and regulations governing protection of the environment, waste disposal and other matters. The Company is required to have a number of licenses and permits from various governmental authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration activities. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The cost of delays associated with obtaining permits or complying with the permits could halt, materially delay or restrict the Company from continuing or proceeding with existing or future operations

Disclosure Controls and Procedures

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures ("DC&P") and Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Other MD&A Requirements

As at the date of this MD&A, the Company had 79,098,794 common shares issued and outstanding.

Stock options of the Company outstanding at the date of this MD&A were as follows:

Options	Exercise Price $	Expiry Date
197,000	0.25	July 30, 2014
60,000	0.28	April 1, 2015
800,000	0.50	December 29, 2015
400,000	0.35	July 19, 2016
325,000	0.20	June 15, 2017
1,450,000	0.10	April 17, 2018
816,667	0.25	October 18, 2018
4,048,667		

Other MD&A Requirements (Continued)

Warrants of the Company outstanding at the date of this MD&A were as follows:

Warrants	Exercise Price $	Expiry Date
4,000,000	0.30	October 4, 2014
4,500,000	0.20	October 5, 2014
4,755,000	0.30	October 28, 2014
500,000	0.20	February 1, 2015
12,000	0.10	March 1, 2015
4,350,000	0.20	March 1, 2015
89,280	0.16	June 23, 2015
558,000	0.25	June 23, 2015
325,000	0.40	September 25, 2015
84,000	0.25	October 1, 2015
1,400,000	0.40	October 1, 2015
2,310,000	0.25	October 22, 2015
1,000,000	0.25	July 30, 2016
100,000	0.25	January 6, 2017
23,983,280		

CANADA CARBON INC.

CORPORATE DATA

August 22, 2014

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DIRECTORS AND OFFICERS

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

INVESTOR CONTACTS

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CAPITALIZATION

Authorized:	Unlimited
Issued:	79,098,794
Escrow:	Nil

LISTINGS

TSX Venture Exchange
Trading Symbol: CCB

Frankfurt Exchange
Trading Symbol: U7N