



This Management Discussion and Analysis (“MD&A”) of MicroCoal Technologies Inc. (formerly Carbon Friendly Solutions Inc.), the “Company”) has been prepared by management as of October 28, 2013 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended June 30, 2013.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars

FORWARD LOOKING INFORMATION

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements may include, among other things, statements concerning plans, objectives and future economic prospect, expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements and industry result, to be materially different from what is said or implied with such forward-looking statements.

Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under “Risk Factors”.

COMPANY OVERVIEW

The Company was incorporated on April 6, 1990 under the laws of British Columbia. The Company changed its name to MicroCoal Technologies Inc. from Carbon Friendly Solutions Inc. on June 25, 2013.

On September 2, 2008, the Company completed a share exchange with Global CO2 Reduction Inc. (Global CO2) and changed its name to Carbon Friendly Solutions Inc. On June 25, 2013 the Company changed its name to MicroCoal Technologies Inc. The Company is listed on the Canadian National Stock Exchange (“CNSX”) under the symbol “MTI” and the Frankfurt Stock Exchange under the symbol “0FS-FRA” (“zero FS-FRA”).

The Company is in the business of providing a coal technology using patented technologies to dewater, decontaminate and upgrade low-rank coals for use by power utilities and coal companies. The Company also provides solutions for companies, organizations and individuals looking to reduce or offset their global warming impact caused by greenhouse gas emissions, while including the generation of carbon credits for sale in the global voluntary and compliance markets from the completion of reforestation, biomass energy and renewable energy technology projects that are independently validated and verified to globally recognized standards and methodologies.

MicroCoal, Inc. (“MicroCoal”)

MicroCoal is a materials technology company focused on commercializing the use of microwave energy and related process technologies to transform coal and other minerals into higher quality and higher value industrial materials. Our initial target market is the coal-fired segment of the North American electrical



utility industry. Coal-fired power plants currently produce nearly 50% of the electricity in the U.S.A. MicroCoal's proprietary on-site process cleans up coal at the power plant prior to combustion by reducing contaminants like sulfur and mercury and also improving fuel efficiency by removing water. This is helping to accelerate the existing trend of fuel switching to low-rank Powder River Basin (western) coals. We are building on our extensive portfolio of patents pending and proprietary know-how and see significant growth potential into new geographies and new industrial markets.

On January 31, 2011 the Company announced it had finalized the acquisition of 58.21% of the outstanding share capital of MicroCoal Inc. ("MicroCoal"), as announced on January 12, 2011 and October 26, 2010. In accordance with the share purchase agreement and its amendment, all MicroCoal shareholders, except for Orica US Services Inc. ("Orica"), exchanged their shares of MicroCoal on a pro rata basis for 10,957,778 common shares of Company (the "Share Exchange"). In addition to the Share Exchange and in accordance with the share purchase agreement, the Company is to complete a private placement financing of up to \$6 million (the "Financing") and from such proceeds, the Company is to pay (i) US\$1 million cash to Orica in consideration for the forgiveness of certain outstanding debt owed to such creditor by MicroCoal and for the re-purchase of such creditor's 1,013 MicroCoal shares for cancellation; and (ii) up to US\$85,000 cash to certain other creditors of MicroCoal to settle other outstanding indebtedness owed by MicroCoal. Upon completion of the entire transaction, the Company will own 100% of MicroCoal.

Pursuant to the conditions stipulated on the Share Exchange agreement and other amending agreements entered into between 2011 and 2013, the Company agreed to acquire the remaining interest 41.79% interest in MicroCoal, where Orica have reduced the principal amount to US\$1,000,000 and waive the interest accruals up to the acquisition date. On January 7, 2013, the Company concluded the acquisition of the 41.79% interest and Orica has reduced the debt to US\$1,000,000. The Company has also consigned 200,000 ISO 14064-2 Validated Voluntary Emission Reductions generated from the Northern Poland Afforestation Offset Project ("VERS") to Orica as security on the loan.

As at the completion date of the acquisition, the Company has repaid US\$125,000 to Orica and repaid additional US\$100,000 after the acquisition. As at June 30, 2013, the Company has loan payable of \$789,834 (US\$775,000) and interest accrual of \$23,217 owing to Orica. The gain on settlement of debt was \$1,843,167

MicroCoal Technology

The MicroCoal technology is a clean energy technology where the Company is focused on commercializing the use of its patented technologies to decontaminate and upgrade low-rank coals to match the energy levels of high-rank coals for use by power utilities. The proprietary on-site process not only cleans up coal at the power plant prior to combustion by significantly reducing contaminants, but it also reduces GHG emissions and improves fuel efficiency. The reduction in emissions allows for the generation of substantial carbon credits in an industry that is one of the world's largest producers of emissions. The deployment of the technology offers utilities significant economic, environmental as well as operational benefits.



The proprietary clean coal technology has significant growth potential into multiple geographies and various industrial markets. Its business model is based on licensing the technology with a once-off *technology fee* and an annual maintenance fee derived of the initial project costs.

On February 19, 2013 the Company announced that its wholly owned subsidiary, MicroCoal Inc., has been granted a trademark registration (the "Registration") on MicroCoal™ by the US Patent and Trade Mark Office.

The Service Mark 'MICROCOAL', is a broad registration, which covers an extensive range of services, including coal purification, coal treatment, and coal cleaning using microwave energy and related process technologies to transform coal and other minerals into higher quality and higher value industrial materials. The Registration is valid for a ten (10) year term and can be renewed for an additional term, at the Company's discretion. Further, the Registration may be expanded to include European countries and Asia.

On April 10, 2013 the Company announced that Mr. Robert Randall Johnson had agreed to join MicroCoal as Senior Project Manager. Mr. Johnson brings over 30 years of engineering and project management expertise in the coal industry. He joined Massey Energy in 1999, eventually becoming Vice President of Operations and Chief Engineer in 2008 at Massey Energy's Martin County Coal Corporation. He was responsible for numerous key projects along with their budgets, permits, and operations. Prior to that position, he was a Vice President at Coal Handling Solutions, LLC, a joint venture between Massey Energy and Penn Virginia, where he was involved in major US and international projects, from start to completion, some of which had 15 year terms and ran 24 hours a day. He was responsible for construction and design of projects in Canada, Texas, Florida, Wisconsin, North Dakota, Kentucky, Tennessee, Virginia, and Brazil. After Alpha Natural Resources, America's third largest coal company by revenue, acquired Massey in June 2011, he worked at Alpha as a Business Unit Project Manager. He was responsible for preliminary design and layout of proposed surface and underground operations, oversaw construction designs, managed construction from start of project to finish, managed budgets, and day-to-day operation for major projects and environmental issues. In 2000-2003, he was Chief Engineer with Martin County Coal Corporation. He was responsible for managing the engineering department, its budget, permits and Department of Natural Resource inspections. In that role, he coordinated and managed environmental clean-up and mitigation activities for the October 11, 2000 Slurry Spill at Martin County Coal.

On February 7, 2013 the Company announced the appointment of Dr. Isaac Yaniv, a world renowned scientist, to the Company's Board of Advisors. Dr. Yaniv brings over 35 years of experience as a material scientist to Carbon Friendly. He obtained a PhD in 1978 in Mineral Processing and Materials from the Technological Institute (Technion) in Haifa, and a Business Management degree from Tel Aviv University in 1987. He is responsible for more than 20 patents related to materials and mineral processing, including key patents on separation of contaminants from coal. He was R&D manager for Israel Chemicals Ltd. (ICL) until 1994. After leaving ICL, he helped found five firms, including MicroCoal Inc. He currently is CEO of ORIS Advanced Materials Ltd., which undertakes international technology transfers.

On January 31, 2013 the Company announced that MicroCoal had extended its existing base of patents on its MicroCoal™ technology and submitted a US patent application (the "Application") based on a provisional patent application filed in 2012. The Application is related to the apparatus and methods of treating a solid material by exposing the solid material to electromagnetic radiation, which includes



microwave and radiofrequency radiation. Further, the Application broadly applies the apparatus and methods to coal, other fossil fuels and cellular biomass.

On July 11, 2012 the Company announced that Mr. Steve Sears and Mr. Larry Palmer had joined Carbon Friendly's Advisory Board and would hold senior executive positions in its wholly owned subsidiary, MicroCoal International Inc. ("MCII"). Mr. Steve Sears became CEO of MCII and Mr. Larry Palmer was appointed as the Financial Director, with a mandate to sell and deploy the MicroCoal Technology in America, China, and other countries.

Mr. Sears brings with him 31 years of knowledge and experience in the coal industry. He joined Massey Coal in 1981, eventually becoming Vice President Sales and Marketing of Massey Energy Company in 2008. He concurrently held senior level positions in several Massey subsidiaries. Mr. Sears has been an innovator throughout his tenure at Massey, responsible for significantly increasing revenues during his 25 year tenure. He also was a founder of Massey Industrial Sales Company and Coal Handling Solutions Inc., which eventually accounted for revenue in excess of \$250 MM/year. He also founded, and was President of Coalsolve LLC, which had technology to remove sulfur, mercury, and CO₂ from flue gas. He holds an MBA from Averett University and a B.S. in Business Administration from Virginia Commonwealth University.

Mr. Palmer has been in the coal industry since 1980, focused on financial, legal and tax aspects of coal transactions. He was Vice President of Taxation and Assistant Secretary of Massey Energy Company until 2011. In that role he was also responsible for major transactions in excess of \$100 MM. Massey was America's fourth largest producer of coal in the US until May of 2011, when it was acquired by Apha Natural Resources. He served in a transitional position at Alpha until March of this year, assisting in the successful integration of Alpha with Massey. He is a Certified Management Accountant (CMA), and has an MBA from Indiana University of Pennsylvania.

On December 15, 2011 the Company and its subsidiary MicroCoal announced that Ameren has signed a Letter of Interest ("LOI") that reflects the intention of Ameren Corporation (NYSE:AEE) ("Ameren") and MicroCoal to negotiate a term sheet and enter into a proposed license agreement relating to the deployment of MicroCoal technology at one of Ameren's coal-fired power plants (the "Nominated Plant") in two main phases.

The first phase was proposed to commence in January, 2012 and consisted of re-configuring MicroCoal's four year old pilot plant in Colorado to determine the design for Ameren's plant in upgrading Powder River Basin (PRB) coal to higher energetic value (BTU rating).

MicroCoal has successfully conducted detailed tests on its new continuous reactor design at its pilot facilities during early May 2012. During Phase I some 15 tons of PRB coal were treated and analyzed. The tests yielded better than expected results, with a significant contribution to our overall know-how.

The objectives of Phase I tests were as follows:

- Examine the deployment of microwave energy on continuous coal flow in a vertical configuration;
- Produce an optimum facility design in which coal flows by gravity alone while being radiated by microwave energy;
- Examine the rate of moisture loss in coal and the collection of coal bound inherent moisture in a continuous process;
- Examine the process behavior under varying energy levels;

- Understand the materials of construction and design for optimum commercial deployment. The design of Phase I pilot was such that any necessary change could be deployed at a minimum cost and maximum speed. This design proved to be working very well and was most beneficial. These tests proved that the removal of coal bound inherent moisture can be achieved at a high efficiency and with the added benefits of liberating coal impurities.

The second phase involves the construction and operation of a fully integrated commercial plant, which will be able to treat 250,000 tons of PRB coal per month

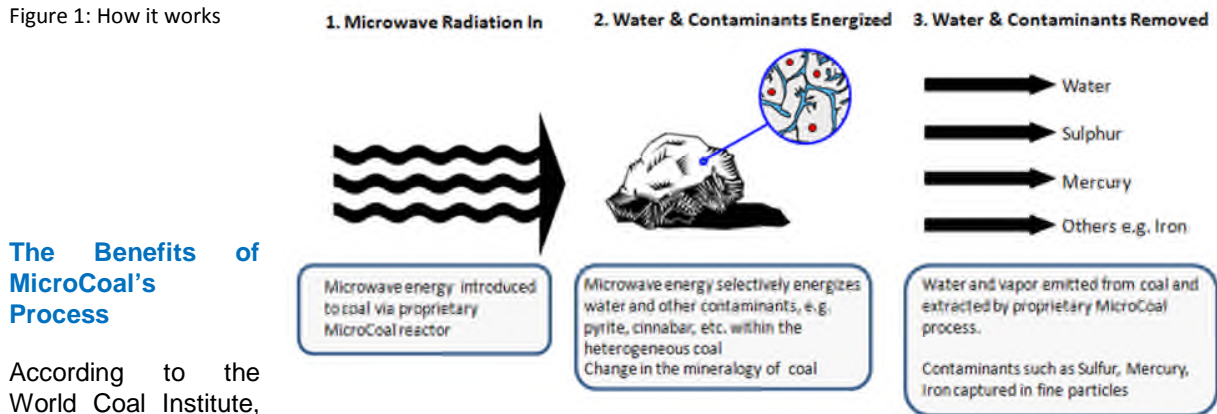
Coal is classified by quality, based on its heat value (BTU rating), into two main categories and four different types as follows:

- High-rank, including anthracite and bituminous
- Low-rank, including sub-bituminous and lignite

Thermal coal used by utilities includes bituminous, sub-bituminous and lignite coals. The heat value of coal is directly dependent on its moisture content: the lower the moisture – the higher the coal’s heat value. Generally speaking, low-rank coals are younger and cleaner than high-rank coals, and a lot cheaper.

MicroCoal’s patented technology suite revolves around the use of microwave energy to dewater and upgrade low-rank coals. In addition to microwave, MicroCoal has developed supplementary processes to further remove contaminants and CO₂, and produce an efficient power plant fuel from available raw coal.

Figure 1: How it works



According to the World Coal Institute, up to 5% of the carbon footprint of utilities can be eliminated by drying the coal prior to combustion. A further 22% of CO₂ emission can be reduced, improving generation efficiency. The direct result of this is a worldwide interest in clean coal and coal drying technologies, which is the focus of the MicroCoal’s business initiative.

The deployment of MicroCoal Inc.’s technology will give the utility three main benefits:

- ✓ **Environmental benefits**, due to a significant reduction of coal contaminants and CO₂ emission;

- ✓ **Economic benefits**, due to fuel switch from expensive high-rank coal to cheaper low-rank coal and with increased heat value of the latter, as well as additional revenue from generating carbon offsets;
- ✓ **Operational benefits**, due to marked change of slagging and ash build-up.

The combined benefits of the MicroCoal’s technology suite has been discussed with utilities, experts in the field, industry consultants and coal analysts, all of whom have indicated support for the approach. Indications are that, once funding has been secured, various utilities will be prepared to sign collaboration agreements with a view to applying the technology once its development is complete.

Typical 500 MW Coal-Fired Power Plant
Indicative Benefits

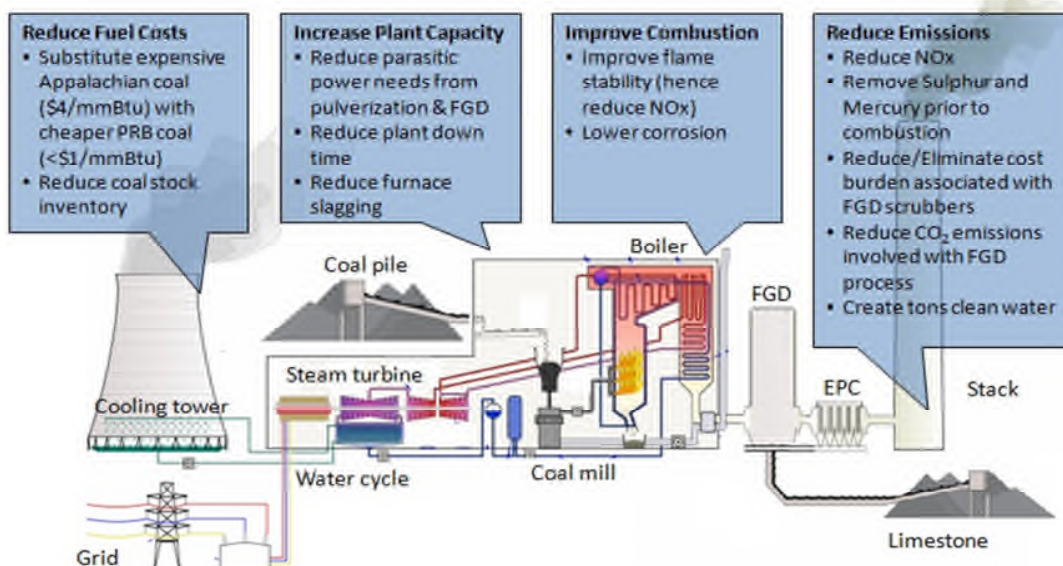


Figure 2: Indicative Benefits

MicroCoal Market Opportunity

Coal is, and will continue to be, an indispensable part of the global energy mix. However, coal requires innovation to enhance its long term appeal by improving its emissions profile and improving the efficiency of coal as a source of fuel. Over 4030 Mt¹ of coal is currently produced globally and is expected to reach 7 billion tonnes in 2030 – with China accounting for around half the increase over this period. The top five producers are China, the USA, India, Australia and South Africa. Coal currently fuels 39% of the world’s electricity and this proportion is expected to remain at similar levels over the next 30 years. The biggest market for coal is Asia, which currently accounts for 54% of global coal consumption – although China is responsible for a significant proportion of this.

¹ World Coal Institute



The U.S. Market

Approximately 1,100 million tons of coal is consumed in the U.S. every year to generate 50% of the electricity in the country. The introduction of the Clean Air Act of 1990, and the Clean Air Act Amendment (“CAAA”) in 2000 forced utilities to control their emissions to meet with US Environmental Protection Agency (“EPA”) standards. Utilities are faced with two options for controlling emissions:

- Change fuel to low sulfur coal such as PRB coal, which is the cheaper option;
- Deploy high capacity post combustion control systems such as flue-gas desulfurization (“FGD”), mostly scrubbers, which is a very expensive option.

A combination of the above two options could also be applied. Approximately 40% of generation units have deployed FGD, while many have switched to PRB coal, as is evident in its spectacular growth. The other alternative for a plant is to deploy MicroCoal’s technology, which will upgrade PRB coal to the heat value equivalent to high-ranking coal, thereby allowing utilities to benefit from the significant lower input costs, while at the same time enjoying the environmental benefits of reduced CO₂, SO₂ and mercury emissions. In 2007 the fleet of U.S. coal-fired power generation consisted of over 1,400 units in various sizes. Of these units, 950 are designed to burn bituminous coal. These are the potential candidates for MicroCoal’s technology. The immediate market segment for MicroCoal has been identified as those generation units with the capacity of 200MW and less, which totals over 600 units. The reasons for selecting this initial target market are:

- Smaller units are under pressure to come in-line with more stringent environmental standards, and are more threatened with closure than larger units.
- These units are typically older, and generally do not have space available to deploy traditional environmental control facilities such as FGD, which require large areas.

The second market segment, to be addressed by MicroCoal are those units with a capacity of 500MW and higher, and emerging markets such as China and India will be the third market.

It is interesting to note that in spite of strategic planning into the 200 MW or less market the Company has received interest from projects such as Ameren in the 1,000 MW arena.

International Market

The worldwide installed base of coal-fired power generation is expected to grow by 67% by 2020. 80% of the growth will come from China and India. China alone accounts for over two-thirds of this growth. The price spread and quality difference between low-rank and high-rank coals in the rest of the world is similar to that of the U.S. MicroCoal has tested Indonesian coal in its facilities, and showed that its technology is as applicable to international coals as it is to U.S. coals.

On December 17, 2012 the Company announced that MCII had entered into a binding letter of intent (“LOI”) with Carbon 2 Power Ventures Inc., of Vancouver, BC (“C2P”), and PT Wijaya Tri Utama, of Kalimantan, Indonesia (“PAK”), whereby a small scale commercial MCI plant (“SSCP”) will be constructed at the 15MW power plant, Banjarmasin Power Plant (“TTP”) owned and operated by PAK. Pursuant to the terms of the LOI: 1) MCI and PAK will provide project financing for the SSCP; 2) the parties shall work together to improve: a) the cost economics of the input coal that has been targeted by the parties and b) to reduce the operating costs by way of an investment with a payback of three years; 3) PAK will engage MCI as the sole provider of upgrades and maintenance for all technology installed at TTP; and 4) the



installation will be in two phases, and the parties have agreed that it shall take between six to twelve months. In April 2013 the Company successfully tested two shipments of coal from PT Kalimantan Powerindo Power Plant Industries in Indonesia at the MCI pilot facility outside Denver, Colorado. This testing is part of the LOI. MCI has tested the Indonesian Coal to determine the optimal processing and design of the MicroCoal™ facility to be constructed this year.

On March 27, 2013 the Company announced it has been considering various avenues to expand the market for its MicroCoal technology. Its wholly-owned subsidiary, MicroCoal Europe Sp. z o.o. ("MicroCoal Europe"), has submitted its funding application under GEKON—Generator of Ecological Concepts Project, a government financed project to build a European MicroCoal™ test facility located in Poland. It is estimated that the cost of setting up the Facility and operating it for a two year period is \$3.5 MM (10,922,930 Polish Zloty). Two million three hundred and fifty-thousand dollars (\$2.35 MM; 7,383,098 Polish Zloty) of the cost shall be funded through the Application. Further, MicroCoal Europe has entered into a consortium with the Institute of Power Engineering, a Polish Government Institute, to accomplish the following:

- i. Develop a methodology to optimize the energetic efficiency of power plants using MicroCoal technology; and
- ii. Run various tests to develop a methodology for energetic optimization.

The Company has entered into a sales agreement with PT Wijaya Tri Utama ("PWTU") that provides for the design, construction, operation, and maintenance of the first MicroCoal™ commercial facility utilizing the Company's proprietary coal drying technology (the "Facility"). The contracted price for the construction of the Facility's installation is US \$6,000,000 ("Construction Fee"). The Company has received US\$ 900,000 as a portion of the construction fee, with the balance of the funding for the Facility to be secured by an irrevocable letter of credit arranged by PWTU for the benefit of the Company. In addition to the one time construction fee, PWTU has agreed to pay the Company an annual fee for a period of six years and maintenance fees.

Marketing and Sales

Emission Reduction Offsets

Typically emission offsets are sold utilizing the services of emission brokers who take orders or requests from clients looking for particular emission offsets. Carbon Friendly has established ongoing relationships with many different emission brokers and traders and has regular dialogue to ensure all parties are aware of projects Carbon Friendly is developing and timing of obtaining validation for sale of offsets.

The Company is offering the Company's VER's utilizing the CSA Cleanproject. The GHG CleanProjects™ Registry provides a portal to report and showcase your project's greenhouse gas (GHG) emission reductions or removals. It offers a web-based public location that is accessible world-wide. The GHG CleanProjects™ Registry's focused mandate relates to the listing and delisting of greenhouse gas projects and resulting verified emission reductions and removals. Through its serialization engine, the GHG CleanProjects™ Registry's tags each tonne of verified emission reductions/removal with a unique serial number. Information displayed in the GHG CleanProjects™ Registry may be useful for corporate risk management, voluntary initiatives, GHG markets and regulatory reporting/compliance.

The GHG CleanProjects™ Registry's is based on ISO 14064 standards for greenhouse gas inventory and reporting, which were adopted in March 2006 by the international community:

- ISO 14064–2 specifies principles, requirements and provides guidance at the project level for quantifying and reporting activities intended to cause GHG emission reductions or removal enhancements.
- ISO 14064–3 specifies principles and requirements and provides guidance for those conducting or managing the validation and or verification of a project's GHG emission reductions/removals.

The GHG CleanProjects™ Registry's is expected to benefit organizations, governments, project proponents and stakeholders worldwide by providing a consistent reporting, accounting, and registry service for GHG inventories, projects and resulting emission reductions and removals which are determined to be consistent with ISO 14064.

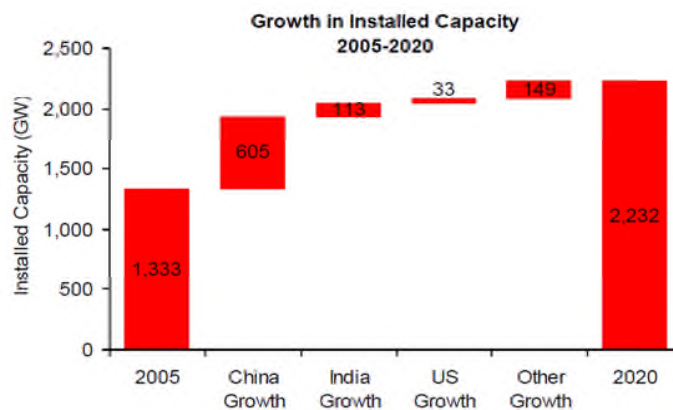


Figure 3: Global growth of coal-fired power generation in GW²

With respect to carbon accounting, voluntary reforestation project proponents typically use ex-ante accounting for forestry activities, meaning that the carbon dioxide removals in the future are sold before they actually occur. This practice is accepted by buyers and defended on the basis that most of the costs are incurred in the early years of a forestry project; therefore, “ex-post” accounting (selling the reductions after they have occurred over the life of the project) is simply not economically viable.

² Characteristics of the Worldwide Coal Fleet: Implications for CCS Retrofit RD&D The NorthBridge Group MIT Symposium on CCS Retrofit Technology Cambridge, MA March 23, 2009



In the unlikely scenario of an unexpected event causing damage to the project, Carbon Friendly establishes a buffer or reserve inventory to ensure and guarantee the delivery of offsets. This varies depending on the risk analysis of the project site location but typically the Company creates a minimum 10% buffer or offset reserve that remains in an inventory reserve account for the life of the project.

Carbon Reduction Using Biomass

Through its wholly owned subsidiaries, Global CO2 Reduction Inc., Carbiopel S.A. ("Carbiopel") and CO2 Reduction Poland Sp. z o.o. ("CO2 Reduction Poland"), the Company was focused on removing and offsetting carbon dioxide emissions from the completion of reforestation, biomass energy and renewable energy technology projects that are independently validated and verified to globally recognized standards and methodologies.

At a shareholders meeting held on March 26, 2012, the shareholders of CO2 Reduction Poland passed a resolution to liquidate the company. The purpose of the liquidation is to lower costs stemming from the Company's European subsidiaries. CO2 Reduction Poland mainly acted as an aggregator and cultivator of lands, thus collecting together areas that are fragmented among many small owners and coordinating the planting of trees to complete reforestation programs. It has been working on completion of Phase II reforestation activities in Poland and has received validation of the Phase II PDD. The Company has now successfully completed the validation of its Northern Poland Afforestation Offset Project Design Documents, which the Company submitted CO2 Reduction Poland.

After consummation of the liquidation of CO2 Reduction Poland, Global CO2 Reduction Inc. will continue to manage the afforestation projects in Poland.

Carbiopel was a biomass pellet producer based out of Lezajsk, Poland. The company focused on aggregating biomass, particularly from agricultural residue, to use as feedstock from its pellet producing machinery. By removing moisture and increasing density through a pellet producing process, biomass pellets are produced and distributed for heating and electricity generating purposes. The advantages of pellets include ease of transportation, higher energy content, and higher storage efficiency. Carbiopel has recently established a pellet producing facility in the Ukraine, focused on using sunflower-husk biomass to produce pellets. At the present time the Company is focused on its coal technology. It will continue to keep the biomass operations in good standing but is looking for a partner to assist or take over the operations.

Poland Afforestation Project

CRA has performed the validation in compliance with the ISO 14064-3 standard. The ISO 14064-3 provides guidance for those conducting or managing the validation and/or verification of GHG assertions, specifies requirements for selecting GHG validators/verifiers, establishing the level of assurance, objectives, criteria and scope, determining the validation/verification approach, assessing GHG data, information, information systems and controls, evaluating GHG assertions and preparing validation/verification statements.



The Project was submitted on August 2012 to Det Norske Veritas Business Assurance Poland Sp. z o.o. (“DNV”) for the verification as GHG project. Verification was carried out on 1 September through 12 November, 2012.

The Project is designed to generate 1,517,025 tCO₂e ,high-quality validated VERs, which will have a conservative market value of US\$ 4.0 per VER, equaling US\$ 6 million in revenue.

SELECTED ANNUAL INFORMATION

Selected annual information from the consolidated audited financial statements for the three years ended is summarized as follows:

June 30,	2013	2012	2011
Revenues	Nil	\$96,037	\$7,980
Gross profit (loss)	Nil	31,628	(1,587)
Operating expense	4,961,789	4,535,526	3,006,714
Other income (expense)	(1,326,936)	234,402	(2,246)
Current income tax expense	(46,000)	-	-
Net loss for the period	(3,680,853)	(4,738,390)	(3,008,960)
Net loss per share	(0.06)	(0.07)	(0.08)
Total assets	3,783,418	5,889,512	6,774,460
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

RESULTS OF OPERATIONS

During the year ended June 30, 2013, the Company had an operating loss of \$4,961,789 showing an increase in expenses of 9%. Adding back amortization and share-based compensation, operating losses are \$3,083,119 for the current year and \$2,835,537 for the previous year. Notably in the 3rd quarter the Company issued 1,600,000 shares to management and 177,777 shares to a consultant at a price of \$0.25 per share as recompense for efforts made as approved by the board of directors and the CNSX Exchange.

There are three business models, (1) development of the coal technology, (2) continuation of the process to have carbon credits consisting of forests certified as valid and tradable carbon credits, where various forested properties have been verified as to the type and number of trees, etc. followed with the next process consisting of a certification process, and (3) the manufacture and sale of various recycled goods to be used in the production of power. Models 2 and 3 have operating divisions in Poland. The coal technology is focused on installations in USA, Indonesia, Asia and Europe.

The certification process to enable the Company to trade and sell verified and certified carbon credits (“VERS”) was completed in November 2012. This process was started some 2.5 years ago. The obtaining of certified VERS was a very important step in the Company’s development of selling carbon credits.

In March 2012 the Company purchased a business in Poland to produce and sell recycled bio-waste. The Polish company has the necessary equipment, and knowledge to develop this business. The Company



intends to keep the property and equipment in good standing, but the Company wishes to focus on its coal technology sales potential. The Company is looking for opportunities to develop this business. The Company wrote down the property and equipment to \$nil in 2013.

Professional fees of \$567,239 consisted of accounting for \$215,643, legal for \$299,646, and engineering for \$51,950. The Company received the final audit bill for \$69,642 for 2012 which was in excess of the budgeted amount of \$50,000.

With the completion of the acquisition of 100% ownership in MicroCoal, Inc. being concluded, various debts and loans originally in the books of MicroCoal are forgiven as per the final agreements resulting in a recovery of \$1.8 million. Interest expense has decreased \$100,126 mainly as a result of the transaction with Orica where the loan balance was reduced from US\$ 2,125,000 to a present balance of US\$ 775,000.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Total Assets	Revenues	Net profit (loss)	Profit (loss) per share
June 30, 2013	\$3,783,418	\$ -	\$(2,883,005)	\$ (0.04)
March 31, 2013	4,741,336	-	1,499,085	0.02
December 31, 2012	5,540,854	-	(1,544,472)	(0.03)
September 30, 2012	5,341,651	-	(657,252)	(0.01)
June 30, 2012	5,889,512	83,325	(572,530)	(0.01)
March 31, 2012	6,500,254	12,712	(1,098,455)	(0.02)
December 31, 2011	5,962,564	-	(1,112,575)	(0.02)
September 30, 2011	6,528,599	-	(1,269,366)	(0.03)

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash on hand of \$8,095 at June 30, 2013 and a working capital deficiency of \$3,224,166.

The Company will continue to remain focused on seeking a listing on a US Exchange; however, in order to maximize the Company’s value in advance of a listing in the US, the Company will be focused on securing additional MicroCoal™ sales and opportunities. In addition to its current agreements, the Company will follow-through with other utilities and prospects that have expressed keen interest in the MicroCoal technology and its benefits.

Subsequent to June 30, 2013 the Company entered into a sales agreement with PT Wijaya Tri Utama (“PWTU”) that provides for the design, construction, operation, and maintenance of the first MicroCoal TM commercial facility utilizing the Company’s proprietary coal drying technology (the “Facility”). The contracted price for the construction of the Facility’s installation is US \$6,000,000 (“Construction Fee”). The Company has received US\$ 900,000 as a portion of the construction fee, with the balance of the funding for the Facility to be secured by an irrevocable letter of credit arranged by PWTU for the benefit of



the Company. In addition to the one time construction fee, PWTU has agreed to pay the Company an annual fee for a period of six years and maintenance fees.

Subsequent to June 30, 2013 the Company announced a non-brokered private placement of up to 10,000,000 units of the Company at a price of \$0.30 per unit, for gross proceeds of up to \$ 3,000,000. Each unit consists of one common share and an equal number of non-transferable warrants to purchase common shares exercisable at \$0.45 per common share for period of five years. The warrants shall have a "forced exercise" provision if the common shares trade at \$0.90 or higher for ten consecutive trading days on the Canadian National Stock Exchange (the "CNSX") (or if the common shares are no longer listed on the CNSX then such other stock exchange on which the common shares are listed). Finders' fees may be paid in accordance with CNSX policies. The Company has closed a first tranche of 3,428,499 units.

Year ended June 30, 2013

On December 28, 2012 a private placement was completed of 8,693,750 units at a price of \$0.20 per unit, for gross proceeds of \$1,738,750. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$0.35 per common share until December 28, 2014. Finders' fees of \$150,673 were incurred and 1,245,250 finder's warrants were issued on the same terms as the unit warrants. The fair value of the broker's warrants of \$114,362 was estimated using the Black-Scholes option pricing model using a risk free interest rate of 1.246%, an expected dividend yield of \$nil, a volatility of 113% and an expected life of warrants of 2 years.

The Company issued 1,600,000 shares to management as a bonus and 177,777 common shares to a consultant with a market price of \$0.25 per share at the date of issuance as consideration for efforts made as approved by the board of directors and the CNSX Exchange. During the year ended June 30, 2013 the Company recorded a bonus of \$400,000 as management and directors fees and \$44,444 as legal expense.

The Company issued 282,000 shares at \$0.20 per share and 282,000 warrants exercisable at \$0.26 per share until May 16, 2016, and 225,000 shares at \$0.23 per shares and 225,000 warrants exercisable at \$0.26 per share until May 31, 2016 to settle debts of \$101,400. The fair value of the shares of \$108,150 and of the warrants of \$69,716 was estimated using a Black Scholes option using a risk free interest rate of 1.246%, an expected dividend yield of \$nil, a volatility of 111.6%, and an expected life of 3 years.

The Company issued 100,000 warrants exercisable at \$0.26 per share until May 24, 2016, pursuant to a loan agreement. See financial statement note 13, "Loans payable". The fair value of the warrants of \$12,162 was included as financing fees on the consolidated statements of comprehensive loss and the value was estimated using a Black-Scholes option pricing model using a risk free interest rate of 1.246%, an expected dividend yield of \$nil, a volatility of 111.6%, and an expected life of 3 years.

The Company issued 300,000 warrants exercisable at \$0.26 per share until May 31, 2016, pursuant to services rendered. The fair value of the warrants of \$45,115 was included as fair value of warrants issued for services on the consolidated statements of comprehensive loss and the value was estimated using a Black-Scholes option pricing model using a risk free interest rate of 1.246%, an expected dividend yield of \$nil, a volatility of 113%, and an expected life of 3 years.



The Company issued 100,000 warrants exercisable at \$0.26 per share until May 31, 2016, pursuant to services rendered. The fair value of the warrants of \$15,038 was included as fair value of warrants issued for services on the consolidated statements of comprehensive loss and the value was estimated using a Black-Scholes option pricing model using a risk free interest rate of 1.246%, an expected dividend yield of \$nil, a volatility of 113%, and an expected life of 3 years.

Pursuant to a British Columbia Supreme Court decision 1,500,000 previously issued founders' shares were cancelled and returned to treasury. The shares had been issued at a value of \$0.001 per share.

Year ended June 30, 2012

On February 13, 2012 a private placement was completed consisting of 6,395,766 units at \$0.30 per unit, each unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.45 per common share for a period of two years from the closing date of the private placement. The Company paid share issuance costs of \$118,587 related to legal and professional fees and issued 297,909 broker warrants. The fair value of the broker's warrants of \$35,990 was estimated using the Black-Scholes option pricing model using a risk free interest rate of 1.11%, an expected dividend yield of \$Nil, a volatility of 88% and an expected life of warrants of 2 years. The broker warrants have the same exercise price and terms as for the private placement units.

On October 19, 2011 a private placement was completed consisting of 5,495,000 units at \$0.20 per unit, each unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.35 per share for a period of two years. The Company paid share issuance costs of \$29,900 related to legal and professional fees and issued 851,250 broker warrants. The fair value of the broker's warrants of \$47,410 was estimated using the Black-Scholes option pricing model using a risk free interest rate of 0.91%, an expected dividend yield of \$Nil, a volatility of 118% and an expected life of warrants of 2 years. The broker warrants have the same exercise price and terms as for the private placement units.

LOANS PAYABLE

	June 30, 2013	June 30, 2012
Pursuant to several loan agreements, a total of \$385,000 was advanced to the Company on an unsecured basis. A 20% loan bonus was charged with the loan amount calculated at \$462,000 to be repaid. The loan was due in January 2012 and the interest rate was 8% per annum. During the year ended June 30, 2013 the Company repaid \$nil (2012 - \$160,000). A payment of \$50,000 was paid subsequent to June 30, 2013.	\$100,000	\$100,000
Pursuant to a loan agreement, a total of \$48,000 was advanced to the Company on an unsecured basis. A 20% loan bonus was charged with the loan amount calculated at \$60,000 to be repaid. The interest rate is 10% per annum. The Company repaid a total of \$60,000 in 2013.	1,500	60,000



Pursuant to a loan agreement a total of \$125,000 was advanced to the Company. The interest rate is at 10% per annum. The loan was payable on or before March 23, 2012. A payment of \$50,000 was paid subsequent to June 30, 2013.	115,000	115,000
Pursuant to a loan agreement a total of \$125,000 was advanced to the Company. The interest rate is at 10% per annum. The loan was payable on or before March 23, 2012. A payment of \$50,000 was paid subsequent to June 30, 2013.	10,870	-
Pursuant to a loan agreement, a total of \$55,000 was advanced to the Company on an unsecured basis less a loan fee of \$500 and 100,000 warrants exercisable at \$0.26 per share until May 24, 2016, prepaid interest to October 30, 2013 of \$3,809 and legal fees of \$1,722. The interest rate is 16% per annum and the principal is due at the earlier of November 1, 2013 or a financing was achieved by the Company. The value of warrants is \$5,993 which is recognized as an component of equity. Subsequent to June 30, 2013 the loan was settled by the issuance of shares.	49,007	-
On January 7, 2013 the Company concluded an agreement with Orica US Services Inc. ("Orica") and acquired the remaining 41.79% ownership of MicroCoal (note 6). Orica transferred all remaining shares to the Company. Pursuant to various agreements in prior years, the Company agreed to pay the sum of US\$1 million to Orica of which \$225,000 had been paid, leaving a balance of US\$775,000 bearing interest at a rate of 5% per annum. The Company has consigned 200,000 ISO 14064-2 Validated Voluntary Emission Reductions generated from the Northern Poland Afforestation Offset Project ("VERS") to Orica as security, the sale of which can reduce the debt. The balance consists of principal of \$789,834 (US\$775,000) plus interest accrual of \$23,217.	813,053	2,178,370
	\$1,089,428	\$2,503,200

The Company is hopeful of completing additional equity financing in 2014.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.



TRANSACTIONS WITH RELATED PARTIES

Key management includes the Chief Executive Officer, the president and the Chief Financial Officer and their controlled entities. Compensation paid or payable to key management for services provided during the years ended June 30, 2013 and 2012 was as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
Key management personnel remuneration		
Management and professional fees	\$ 878,580	\$ 648,851
Bonus shares issued to management (see note 14b)	400,000	-
Automobile allowance (travel and promotion)	28,800	38,999
Stock-based compensation	159,822	218,578
	\$	
Total key management personnel remuneration	1,467,202	\$ 906,428

The Company incurred the following transactions with companies that are controlled by directors and/or officers of the Company. The transactions were measured at the exchange amount which approximates fair value, being the amount established and agreed to by the parties.

Management and directors' fees	\$ 932,591	\$ 617,781
Bonus shares issued to management	400,000	-
Consulting	90,600	-
Automobile allowance (travel and promotion)	28,800	38,999
Professional fees	150,000	123,700
Total related party amounts	\$ 1,601,991	\$ 780,480

As at June 30, 2013 the Company owes \$332,797 (June 30, 2012 - \$354,817) to officers and directors. The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

COMMITMENTS

The Company has a management agreement for a period of 3 years commencing July 1, 2011 and will pay management fees of \$183,795 per year. There is an annual increase of 5% per annum. In an event of a change in control, and the officer is terminated within 12 months of such change of control, then the officer will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of engagement and (2) one year's compensation.

During the year ended June 30, 2012, the Company entered into a management agreement for a period of 3 years commencing July 1, 2011 and will pay management fees of \$84,000 per year. There is an annual increase of 5% per annum. In an event of a change in control, and the officer is terminated within 18 months of such change of control, then the officer will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of engagement and (2) two year's compensation.



REPORT FOR THE YEAR ENDED JUNE 30, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended June 30, 2012, the Company entered into a management agreement for a period of 3 years commencing April 1, 2012 and will pay management fees of \$66,000 per year. There is an annual increase of 5% per annum. In an event of a change in control, and the officer is terminated within 12 months of such change of control, then the officer will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of engagement and (2) one year's compensation.

The Company entered into a consulting agreement for a period of 3 years commencing February 1, 2011 and will pay consulting fees of \$168,000 per year. There is an annual increase of 5% per annum. In an event of a change in control, and the consultant is terminated within 12 months of such change of control, then the consultant will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of engagement and (2) one year's compensation.

The Company entered into an agreement to lease additional office space as follows:

2014	94,923
2015	96,266
	<u>\$191,189</u>

In prior years, the Company has acquired the rights to over 100 properties wherein it has the exclusive sale contract rights to sell carbon credits generated from the bedding and trees growing in various plots of lands in Poland until 2040. The Company paid a total of \$106,636 for these exclusive sales contract rights and has right to sell carbon credits into the market place. If sales are found through a carbon credit certification process, further amounts would be paid to the vendors of up to 8,222,251 PLN (approximately \$2.4 million) within 30 days subject to obtaining carbon credit certification or sale of a carbon credit unit from the lands.

The Company is in dispute with an investor relations company who claims that the Company agreed, pursuant to an agreement, to pay a finder's fee in connection with the acquisition of MicroCoal. A formal lawsuit has been filed by the investor relations company and the fees claimed are \$450,000. The amount has not been recorded as uncertainties existed related to whether claims will be settled out of court and if not whether the Company will be successful in defending any action.

EVENTS OCCURRING AFTER REPORTING DATE

The Company has entered into a sales agreement with PT Wijaya Tri Utama ("PWTU") that provides for the design, construction, operation, and maintenance of the first MicroCoal TM commercial facility utilizing the Company's proprietary coal drying technology (the "Facility"). The contracted price for the construction of the Facility's installation is US \$6,000,000 ("Construction Fee"). The Company has received US\$ 900,000 as a portion of the construction fee, with the balance of the funding for the Facility to be secured by an irrevocable letter of credit arranged by PWTU for the benefit of the Company. In addition to the one time construction fee, PWTU has agreed to pay the Company an annual fee for a period of six years and maintenance fees. This agreement replaces the letter of intent previously signed.

The Company announced a non-brokered private placement of up to 10,000,000 units of the Company at a price of \$0.30 per unit, for gross proceeds of up to \$ 3,000,000. Each unit consists of one common share and an equal number of non-transferable warrants to purchase common shares exercisable at \$0.45 per common share for period of five years. The warrants shall have a "forced exercise" provision if



the common shares trade at \$0.90 or higher for ten consecutive trading days on the Canadian National Stock Exchange (the "CNSX") (or if the common shares are no longer listed on the CNSX then such other stock exchange on which the common shares are listed). Finders' fees may be paid in accordance with CNSX policies. The Company has closed a first tranche of 3,428,499 units having receipt of \$820,740 at this time..

The Company issued 1,407,798 units at \$0.22 per unit, each unit consists of one common share and one warrant to purchase one additional share for \$0.26 each until May 31, 2016 the settle debts of \$309,716. In addition the Company issued 1,469,226 units at \$0.27 per unit, each unit consists of one common share and one warrant to purchase one additional share for \$0.35 each until May 31, 2016 to settle debts of \$396,691.

The Company received \$87,150 from the exercise of 485,000 stock options and \$520,000 from the exercise of 2,000,000 warrants.

FINANCIAL INSTRUMENTS

As at June 30, 2013, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loans payable. The carrying values of these financial instruments approximate their fair values because of their current nature.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company has no variable interest debt. The Company's ability to raise capital to fund activities is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and the going concern assumption (note 2). As at June 30, 2013, the Company has working capital deficiency of \$3,270,164. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 19. The Company continues to monitor its actual cash flows and to seek equity financing to ensure sufficient liquidity to meet financial obligations when they become due. Subsequent to June 30, 2013, the Company has received \$820,740 from the first tranche of a private placement and of \$607,150 from the exercise of stock options and warrants.

Interest rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

Credit Risk



REPORT FOR THE YEAR ENDED JUNE 30, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and cash with major financial institutions. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated Polish Zloty (PLN) and the United States dollar (USD). Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

The following table provides an indication of the Company's significant foreign exchange currency exposure:

	United States		Poland	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Cash	\$ 3,222	\$ 8,428	\$ 72	\$ 1,216
Receivables	-	-	6,018	95,217
Accounts payable and accrued liabilities	(1,162,448)	(1,774,971)	(93,813)	(65,380)
Related parties	(30,000)	(176,338)	(26,809)	(20,293)
Loans payable	(813,051)	(2,178,370)	-	-
	\$ (2,002,277)	\$ (4,121,251)	\$ (114,532)	\$ 10,760

The following exchange rates were applied:

	Year ended June 30, 2013		Year ended June 30, 2012	
	Average rate	Spot rate	Average rate	Spot rate
Canadian dollars to US dollars	0.9957	0.9532	0.9969	0.9755
Canadian dollars to Zloty	3.1888	3.1502	3.1675	3.3584

Standards, Amendments and Interpretations Not Yet Adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2013 or later years. The following standards and interpretations have been issued but are not yet effective:

- . IFRS 7 Financial Instruments Disclosures (Amendment)



In December 2011, the IASB amended this standard to set out additional disclosure requirements regarding the offsetting of financial assets and financial liabilities. The standard was also amended to reflect the effects of adopting IFRS 9, Financial Instruments. The Company is yet to assess the full impact of IFRS 7 and intends to adopt the standard no later than the accounting period beginning on July 1, 2013. The adoption of this standard will not have a significant impact on the Company's financial statements.

. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

. IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company intends to adopt this standard no later than the accounting period beginning on July 1, 2013. The adoption of this standard will not have a significant impact on the Company's financial statements.

. IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company intends to adopt this standard no later than the accounting period beginning on July 1, 2013. The adoption of this standard will not have a significant impact on the Company's financial statements.

. IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt this standard no later than the accounting period beginning on July 1, 2013. The adoption of this standard will not have a significant impact on the Company's financial statements.

. IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value



accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Company intends to adopt this standard no later than the accounting period beginning on July 1, 2013. The adoption of this standard will not have a significant impact on the Company's financial statements.

. IAS 28 Investments in Associates and Joint Ventures

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The adoption of this standard will not have a significant impact on the Company's financial statements.

OTHER REQUIREMENTS

Summary of Outstanding Share Data as at October 28, 2013

Authorized – unlimited shares without par value

Shares Issued	
June 30, 2013	68,853,998
Private placement shares	3,428,499
Warrants exercised	2,000,000
Options exercised	485,000
Shares issued for debt settlements	2,877,024
Total at October 28, 2013	77,644,521

Stock options	
June 30, 2013	6,720,000
Options granted	-
Options exercised	-
Total at October 28, 2013	6,720,000

Warrants	
June 30, 2013	30,386,425
Exercised	(2,000,000)
Issued	3,428,499
Total at October 28, 2013	31,814,924



REPORT FOR THE YEAR ENDED JUNE 30, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.