REPORT FOR THE QUARTER ENDED
September 30, 2014
MANAGEMENT DISCUSSION AND ANALYSIS

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 November 30, 2014 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, 2014.

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 as a provincial company under the laws of British Columbia, and on June 19, 1997 the Company continued as a federal corporation under the Canada Business Corporation Act. 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. ("MicroCoal"). The Company is listed on the Canadian Securities Exchange ("CSE") 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.

During the year ended June 30, 2011, the Company acquired a 58.21% interest in MicroCoal, Inc. through issuance of the Company's common shares in exchange for the equivalent shares of MicroCoal, Inc. MicroCoal, Inc. holds the patents to the MicroCoal technology. The Company is 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. The principal assets of MicroCoal, Inc. are the coal technology patents and plant prototype components.

When the Company entered into the Share Exchange agreement, MicroCoal, Inc. had a principal amount of US$2,250,000 owing to Orica US Services Inc. ("Orica"), a creditor and a shareholder of MicroCoal, Inc. Pursuant to the conditions stipulated on the Share Exchange agreement and other amending agreements entered into between 2011 and 2013, if the Company agreed to acquire the remaining interest 41.79% interest in MicroCoal Inc., Orica would reduce 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 an arrangement for the acquisition of the 41.79% interest where Orica reduced the debt to US$1,000,000.

On August 14, 2014, the Company entered into a full and final settlement and release with Orica of all claims. As part of the settlement the company agreed to pay US$150,000 to Orica in satisfaction of all amounts owing from the Company to Orica.

Company Developments During Quarter 1

The Company is focused on commercializing the use of its patented technologies to upgrade low-rank coals to replace a portion of high-rank coals consumed in energy generation by power utilities. The deployment of the technology offers utilities significant economic, as well as operational performance benefits.

The proprietary dry 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.

The quarter included activities involving corporate restructuring and re-focused efforts and investment in the commercialization, research and development of its patented technologies.

On September 29, 2014 the Company announced that it had received a loan from its chairman in the principal amount of US$125,000. The loan accrues interest at a rate of 4% per annum, payable quarterly, and has a term of one year. The company can repay the loan at any time prior to its maturity for principal plus accrued interest to the day repayment without prepayment penalty. The loan is convertible into common shares of the Company at a conversion price of US$0.225 per share at the option of the Company's chairman

On August 29, 2014 the Company announced that it has granted incentive stock options to purchase an aggregate of 80,000 common shares of the Company pursuant to the Company's share option plan. The Options have an exercise price of US$0.20 per common share and are exercisable for a period of two years.

On August 28, 2014 the Company announced its planned construction of a commercial-scale MicroCoal reactor facility in the Fountainbleau Industrial Park in King William County, Virginia. The Company entered into a three year lease with an option to purchase five acres of industrial-zoned land. The Virginia plant will be designed to feature a raw materials storage/handling facility, offices and laboratory space, welding/fabrication area, and a fully operational MicroCoal commercial scale reactor. The Company expects construction to be completed in the first quarter of 2015, at a currently estimated cost of approximately USD $2.5 million. Once operational, the Virginia plant is planned to employ 6 full-time staff that will be responsible for conducting coal testing, and generating data for process and reactor design optimization. Unlike the Company's smaller Gaithersburg laboratory that is used for specific parametric testing, the Virginia plant will be designed to allow the Company to showcase the complete MicroCoal process from start to finish. The construction of the Virginia plant represents an important expansion of the Company's research and development program, from a single-reactor pilot facility in Golden, Colorado, to a full-scale demonstration plant. The reactor configuration planned for deployment at the Virginia plant will be designed to showcase new improvements for throughput and dehydration rates that will be featured in MicroCoal's Generation 2.0 system.

On August 25, 2014 the Company announced the opening of its new research laboratory, strategically positioned in the heart of Metro Washington D.C.s "Maryland Technology Corridor", in Gaithersburg, Maryland. The facility is equipped with a microwave test system and analytical equipment and is planned to serve as a interim testing and process optimization center for the next several months. The Company is currently finalizing plans to relocate it research and development headquarters to a permanent location in the Washington, D.C. area in the fourth quarter of this year. The Gaithersburg laboratory will provide onsite Company technicians with an immediate opportunity to optimize MicroCoal operating parameters in order to further develop and refine the MicroCoal Generation 2.0 reactors planned for commercial deployment.

On August 18, 2014 the Company announced the bankruptcy filing of the United States subsidiary, MicroCoal Inc. The filing was done in the United States Bankruptcy Court in the district of Colorado. The filing was in line with a larger corporate restructuring that the Company intended to pursue for various subsidiaries of the Company. The subsidiary's primary asset is intellectual property, which the company intended to purchase during the reorganization. Substantially all of the outstanding debt of the subsidiary was payable to the Company. The other potential obligations of the subsidiary are disputed claims relating to litigation with two prior employees.

On August 14, 2014 the Company announced that it had entered into a full and final settlement and release with Orica U.S. Services Inc. in respect of all claims between the Company and Orica relating to the acquisition by the Company of MicroCoal Inc. between 2011 and 2013. As part of the settlement, the Company agreed to pay US$150,000 to Orica in satisfaction of all amounts owing from the Company to Orica.

On August 14, 2014 the Company announced that it closed the sixth tranche of it previously announced (see March 3, 2014 press release) non-brokered private placement in the amount of US$552,000. In conjunction with this tranche the Company announced it would issue 2,760,000 units of the Company at a subscription price of $0.20 per unit. Each unit is comprised on one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of US$0.30 for up to 12 months following the date of issuance, subject to terms thereof. In connection with the sixth tranche , the Company paid a cash commission equal to 10% on a portion of the gross proceeds raised from the sale of the Units to an arm's length party in the aggregate amount of approximately US$5,200 and granted 26,000 finder's warrants to purchase units. All units, common shares and share purchase warrants issued under this tranche are subject to a four month hold from the closing date.

On August 14, 2014 the Company announced it intends to repay in full the loan owing to the Company's Chairman in the outstanding principal amount of US$100,000, together with accrued interest of US$1,873 on or about August 15, 2014.

On August 6, 2014 the Company announced that one of its Directors exercised stock options to acquire 100,000 common share of the Company, for total gross proceeds of $11,000.

On July 14, 2014 the Company announced that it closed the fifth tranche of it previously announced (see March 3, 2014 press release) non-brokered private placement in the amount of US$335,000. In conjunction with this tranche the Company announced it would issue 1,675,000 units of the Company at a subscription price of $0.20 per unit. Each unit is comprised on one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of US$0.30 for up to 12 months following the date of issuance, subject to terms thereof. In connection with the fifth tranche , the Company paid a cash commission equal to 10% on a portion of the

gross proceeds raised from the sale of the Units to an arm's length party in the aggregate amount of approximately US$3,500 and granted 17,500 finder's warrants to purchase units. All units, common shares and share purchase warrants issued under this tranche are subject to a four month hold from the closing date.

On July 4, 2014 the Company announced that it closed the fourth tranche of it previously announced (see March 3, 2014 press release) non-brokered private placement in the amount of US$167,000. In conjunction with this tranche the Company announced it would issue 835,000 units of the Company at a subscription price of $0.20 per unit. Each unit is comprised on one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of US$0.30 for up to 12 months following the date of issuance, subject to terms thereof. In connection with the fourth tranche , the Company paid a cash commission equal to 10% of the gross proceeds raised from the sale of the Units to an arm's length party in the aggregate amount of approximately US$16,700 and granted finder's warrants to purchase units equal to 10% of the units placed. All units, common shares and share purchase warrants issued under this tranche are subject to a four month hold from the closing date.

On July 3, 2014 the Company announced that Mr. Steven Lawson had been appointed Vice President of Research and Technology Development for MicroCoal International Inc. a wholly owned subsidiary of the Company. Mr. Lawson began his career in the aggregate handling and drying industry, and subsequently in heavy industry process technology development. During the past 10 years he was the Director of Engineering for CoalTek, where he was the principal engineer for their industrial microwave coal drying process. It is anticipated that Mr. Lawson's addition will bring the Company much closer to further optimizing our microwave coal drying process for commercial operations.

The Benefits of MicroCoal's Process

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 CO_2 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 the MicroCoal technology will give the utility three main benefits:

- ✓ **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 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.

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 Mt[1] 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.

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 the MicroCoal 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. 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 the MicroCoal 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 the Company are those units with a capacity of 500MW and higher, and emerging markets such as China and India will be the third market.

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. The Company 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.

Carbon Reduction Using Biomass

Previously the Company had various biomass energy and renewable energy technology projects in Poland through the operations of subsidiary companies in Poland, namely, Carbiopel S.A. ("Carbiopel") and CO2

[1] World Coal Institute

Reduction Poland Sp. z o.o. ("CO2 Reduction Poland"). The Company is focused on its coal technology and is no longer pursuing biomass projects in Poland. The Company has written down associated costs in previous years' operations, and is not making any provision for nominal costs in the future. Any recoveries from the disposition of plant and equipment or other sources are unknown.

SELECTED ANNUAL INFORMATION

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

June 30,	2014	2013	2012
Revenues	Nil	Nil	96,037
Gross profit (loss)	Nil	Nil	31,628
Operating expense	4,500,773	4,961,789	4,535,526
Other income (expense)	(2,969,923)	1,326,936	(234,402)
Current income tax expense	-	(46,000)	-
Net loss for the year	(7,470,696)	(3,680,853)	(4,738,390)
Net loss per share	(0.10)	(0.06)	(0.07)
Total assets	203,249	3,783,418	5,889,512
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Total Assets	Revenues	Net profit (loss)	Profit (loss) per share
September 30, 2014	$ 412,324	$ -	$938,144	$ 0.01
June 30, 2014	203,249	-	(3,364,413)	(0.04)
March 31, 2014	2,949,416	-	(1,052,355)	(0.01)
December 31, 2013	3,690,966	-	(1,419,124)	(0.02)
September 30, 2013	4,216,850	-	(1,634,804)	(0.02)
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)

RESULTS OF OPERATIONS

During the three months ended September 30, 2014, the Company had an operating loss of $533,025 showing a decrease of $597,191 to the previous year comparative period. In the previous year the Company did an assessment of the plant prototype with the conclusion that new improvements and concepts would be too difficult to implement in the existing unit and followed through with dismantling of the unit. Previously the unit which included coal technology was being amortized at the rate of 20% per year. With the decision

to dismantle the unit, amortization was taken as usual ($1,411,864) and an impairment charge of $2,234,758 was taken. The effect on the current quarter has reduced amortization expense $348,453.

The Company has been intent on reducing overhead and indebtedness as the previous levels have been unsustainable. The results of these programs are starting to show with a reduction in management and director fees of $90,256 and consulting fees of $33,264 in the current year.

During the period ended September 30, 2014, the Company settled with Orica in full by a payment of $164,610 (USD$ 150,000) repaying loans payable and thereby closing the provision for accrued liabilities of $795,537. In addition the Orica loan was recorded at June 30, 2014 at $827,390 which is now paid in full. The gain on settlement of debt was $1,528,843 (including foreign exchange differences) being reflected in the period ended September 30, 2014.

The Company entered into a construction agreement with PT Wijaya Tri Utama (“PWTU”) that provides for the design, construction, operation, and maintenance of the first 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. The Company received $1,419,108 (US$ 1,320,000) in advances. As at September 30, 2014 the Company had incurred construction, equipment expenditures and engineering costs of $1,419,108 leaving a balance of $nil as contracts in progress liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash on hand of $109,778 at September 30, 2014 (June 30, 2014 - $86,652) and a working capital deficiency of $1,304,349 (June 30, 2014 - $2,942,247).

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.

LOANS PAYABLE

	September 30, 2014	June 30, 2014
Pursuant to a loan agreement a director of the Company advanced the sum of $100,000 USD to the Company. The interest rate is at 4% per annum. The loan was paid on August 15, 2014. On September 29, 2014 a new loan was advanced for USD $125,000.	$ 138,038	$ 106,710
On January 7, 2013 the Company concluded an agreement with Orica and acquired the remaining 41.79% ownership of MicroCoal Inc. (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 at June 30, 2013. The loan was renegotiated in August 2014 and both parties agreed to settle the outstanding loan as well as the accrued	-	827,390

interest in Note 6 for $160,065 ($USD 150,000). This amount was paid in the period ended September 30, 2014.		
	$138,038	$834,100

Three months ended September 30, 2014

On August 14, 2014 the Company closed the fourth tranche of a non-brokered private placement in the amount of $USD 552,000 ($CAD 601,840). The Company issued 2,760,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 5,000 and granted finder's warrants to purchase 26,000 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at September 30, 2014 with any change going to the profit or loss.

On July 14, 2014 the Company closed the fourth tranche of a non-brokered private placement in the amount of $USD 335,000 ($CAD 359,511). The Company issued 1,676,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 2,500 and granted finder's warrants to purchase 17,500 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at September 30, 2014 with any change going to the profit or loss.

On July 4, 2014 the Company closed the fourth tranche of a non-brokered private placement in the amount of $USD 167,000 ($CAD 117,788). The Company issued 835,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 10,000 and granted finder's warrants to purchase 83,500 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at September 30, 2014 with any change going to the profit or loss.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel remuneration	Three months ended September 30, 2014	Three months ended September 30, 2013

Management, director' and professional fees	$	126,603	$	142,414
Fair value of shares and warrants issued to key management personnel to settle debt		-		201,815
Total key management personnel remuneration	$	126,603	$	344,229

As at September 30, 2014 the Company owed $nil (June 30, 2014 - $26,465) to officers and directors. The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

As at September 30, 2014 the Company owed $138,038 (June 30, 2014 - $106,710) to a director pursuant to loans payable.

EVENTS OCCURING AFTER REPORTING DATE

On November 26, 2014 the Company closed a further tranche of its previously announced non-brokered private placement for US$202,348. The Company will issue an aggregate of 1,011,741 units of the Company at a subscription price equivalent to US$0.20 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant will entitle the holder thereof to acquire one common share at an exercise price of US$0.30 for up to 24 months following the date of issuance. The Company will pay a cash commission of $11,300 and granted 50,000 finder's warrants to purchase Units.

The Company has agreed to a settlement with two former consultants of the Company to pay a total and final sum of USD $260,000 and issue an aggregate of 200,000 common shares to the consultants as full consideration. As part of the settlement, the parties provided mutual releases, including a release of all claims by the consultants against the Company.

Subsequent to September 30, 2014, the Company signed a $1,000,000 USD multi-draw working capital loan. Outstanding draws accrue interest at a rate of 4% per annum, payable quarterly and has a term of 1 year. Principal and interest repayments are without penalty. The loan is convertible into common shares at the option of the holder at a conversion price of $0.15USD per share. The holder is the Chairman of the Company.

Subsequent to September 30, 2014, the Company signed a joint venture agreement with Rubyfield Holdings Limited, a Hong Kong based private company, to operate a coal testing facility in Songjiang Industrial Park, Shanghai with the purpose of promoting Microcoal's technology in China and other parts of Asia. The joint venture agreement is for 5 years and shall automatically renew for another 5 year period unless terminated in writing by either party. In consideration for this transaction, the Company is to issue 10million common shares with 6million common shares at closing and 4million common shares that is 120 days from closing. The closing of the agreement is subject to the securities exchange approval and has not been completed as of the date of this consolidated financial statements. The Company will own 51% of the shares of the joint venture entity with 49% being the share of the other party and the Company will have two out of three directors on the board of the joint venture.

FINANCIAL INSTRUMENTS

As at September 30, 2014, 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.

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity);

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of September 30, 2014, the Company had derivative warrant liabilities that were required to be recorded at fair value using level 2 inputs. A 10% change in the call option value used in calculating the derivative would have an approximately $64,000 increase in consolidated net loss.

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 obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or sales from contracts, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further development of the Company's projects.

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

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.

Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in 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	
	September 30, 2014	June 30, 2014
Cash	$ 68,881	$ 70,541
Accounts payable and accrued liabilities	(317,351)	(208,307)
Related parties	-	(8,376)
Loans payable	(138,038)	(934,100)
	$ (386,508)	$ (1,080,243)

The following exchange rates were applied:

	Three months ended September 30, 2014		Year ended June 30, 2014	
	Average rate	Spot rate	Average rate	Spot rate
Canadian dollars to US dollars	0.9191	0.8962	0.9411	0.9039

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 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.

- **IAS 32 Amendments**

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

- **IAS 36 Impairment of Assets**

Amendments to IAS 36, 'Impairment of Assets' addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

- **IFRIC 21 Levies Imposed by Governments**

IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its consolidated financial statements.

The Company will adopt the amendments of IAS 9, IAS 32 and IAS 36 for its reporting period beginning July 1, 2014 and does not expect the adoption of these standards to have a significant impact on its consolidated financial statements.

OTHER REQUIREMENTS

Summary of Outstanding Share Data as at November 30, 2014

Authorized – unlimited shares without par value

Shares Issued:	
September 30, 2014	88,928,336
Private placement	-
Options exercised	-
Total at November 30, 2014	88,928,336

Stock options:	
September 30, 2014	3,445,000
Granted	-
Exercised	-
Total at November 30, 2014	3,445,000

Warrants:	
September 30, 2014	44,356,366
Expired	6,693,675
Total at November 30, 2014	37,662,691

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.