ALABAMA GRAPHITE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Prepared by Management)
For the Nine Months Ended May 31, 2014

BACKGROUND

The following management's discussion and analysis ("MD&A") of the financial condition and operating results of Alabama Graphite Corp. (the "Company") pertains to the nine months ended May 31, 2014 and was prepared on July 30, 2014. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes attached thereto for the nine months ended May 31, 2014 and the annual audited consolidated financial statements and the notes attached thereto of the Company for the year ended August 31, 2013. These consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is presented in Canadian dollars.

The Company's unaudited condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At May 31, 2014, the Company had accumulated deficit of $5,813,471 (August 31, 2013 – deficit of $4,476,558). The Company incurred losses of $1,336,913 during the nine months ended May 31, 2014 (2013 - $969,874). The Company's ability to continue as a going concern is dependent upon its ability to raise adequate financing and generate profitable operations in the future; these conditions indicate the existence of a material uncertainty.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

Certain statements contained in the following MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including predictions, projections and forecasts. Forward-looking information include, but are not limited to, statements that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion, growth of the Company's business, operations, plans with respect to exploration, the timing and success of exploration activities generally, permitting time lines, government regulation of exploration and mining operations, environmental risks, title disputes or claims, limitations on insurance coverage, and timing and results of future resource estimates or future economic studies.

Often, but not always, forward-looking information can be identified by the use of words such as "plans", "planning", "planned", "expects" or "looking forward", "does not expect", "continues", "scheduled", "estimates", "forecasts", "intends", "potential", "anticipates", "does not anticipate" or "belief" or describes a "goal" or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking information is based on a number of material factors and assumptions, including the result of drilling and exploration activities, that contracted parties provide goods and/or services on the agreed timeframes, that equipment necessary for exploration is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred, that plant and equipment function as specified, that no unusual geological or technical problems occur, and that laboratory and other related services are available and perform as contracted. Forward-looking information involves known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the interpretation and actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of graphite; possible variations in grade or recovery rates; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, as well as those factors disclosed in the company's publicly filed documents. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking information contained in the following MD&A represents the expectations of the Company as of the date of the MD&A and, accordingly, is subject to change after such date. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information.

OPERATIONS

The Company was incorporated under the Business Corporations Act (British Columbia) on April 13, 2006 as 0754882 B.C. Ltd., and subsequently changed its name to TrustMark Auto Group, Inc. ("TrustMark") on April 24, 2006. TrustMark was engaged in the business of providing franchise quality products and services to independent used vehicle dealers. During the first quarter of fiscal year ended August 31, 2009, TrustMark decided to close down its only corporate dealership in Coquitlam, British Columbia and accordingly the Company ceased being in the business of selling used vehicles and sought a new business to acquire or develop.

On June 23, 2011, the Company changed its name to Keymark Resources Inc. On June 28, 2011, the Company effected a consolidation of its share capital on a 10 for 1 basis and the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") (formerly the Canadian National Stock Exchange) under its new trading symbol KKR.

On August 28, 2012, the Company changed its name to Alabama Graphite Corp. and commenced trading under the new trading symbol ALP after having acquired rights to the Coosa Graphite Project in Alabama.

As a result of European investor interest in the Company, the Company's common shares have been quoted on the Frankfurt Stock Exchange for trading under the symbol 1AG.F since October 19, 2012.

On May 5, 2014, the Company delisted its common shares from the CSE and started trading its common shares on the TSX Venture Exchange (the "TSXV") under the same symbol, ALP. On the same day, the Company also commenced trading on the OTCQB venture stage marketplace under the symbol, ABGPF. On June 23, 104, the Company commenced trading on the OTCQX.

The Company is in the business of acquiring, exploring and developing graphite mineral properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

Coosa Graphite Project, Alabama

Pursuant to an agreement dated August 1, 2012 (the "Lease Agreement"), the Company has leased the mineral rights in respect of an area with a potential for graphite comprising of approximately 14,020.86 acres (the "Coosa Graphite Property" or the "Coosa Graphite Project") in Coosa County, Alabama, USA. In addition, the Company received an option of first refusal (the "Option") to lease the mineral rights in and to an adjacent area comprising approximately 30,756 acres. However, in November 2012, the Company only exercised its right of first refusal to lease an additional 27,515 acres, bringing the total mineral acres under lease to 41,535 acres.

Under the terms of the Lease Agreement, the Company leases the Coosa Graphite Property for successive renewable 5-year terms (not to exceed 70 years) in consideration for an initial cash payment of US$30,000 (paid) and annual advance royalty payments of US$10,000 commencing from July 1, 2015. The Company paid US$1,000 in respect of the grant of the Option. The Company has also agreed to pay the lessor a net smelter return royalty of 2% from the commercial production and sale of graphite from the properties, as well as royalties for precious metals and rare earths commercially produced and sold from the properties.

Pursuant to a Finder's Fee Agreement dated July 31, 2012, the Company issued 1,000,000 common shares valued at $190,000 to a private company (controlled by the finder) relating to the acquisition of the Coosa Graphite Property and for finding the Chief Executive Officer for the Company. The Company allocated $95,000 as a finder's fee for the acquisition cost of the property and $95,000 as a referral fee for referring the CEO to the Company.

In connection with the Company's acquisition of its interests in the Coosa Graphite Property, the Company is committed to paying the following amounts or issuing the following shares to a third party:

(a) US$320,000 in cash (paid) for introducing the Coosa Graphite Property to the Company;
(b) 500,000 common shares of the Company (the "Finder's Shares") once the Company has secured the surface rights to the Coosa Graphite Property which Finder's Shares are escrowed with 1/3 to be released after every 6 months;
(c) $100,000 upon receipt by the Company of a bankable feasibility study in respect of the leased property;
(d) $150,000 upon full permitting of the leased property; and
(e) Net smelter royalty of 0.5% up to an aggregate amount of $150,000 upon commencement of graphite operations on the Coosa Graphite Property.

In addition, for a period of five years after the date of the agreement and provided that the Company continues the exploration activities, the third party will provide to the Company a right of first refusal to acquire any and all mineral interests that he owns, controls or represents in Coosa County, Alabama.

In November 2012, the Company paid US$48,537 to the lessor of the Coosa Graphite Property to exercise its right of first refusal to lease an additional 27,515 acres, bringing the total mineral acres under lease to 41,535 acres. The terms of this agreement are identical to the mineral lease dated August 1, 2012 such that the Company has prepaid for three years of the lease and may renew the additional acreage for successive five-year renewable terms (not to exceed 70 years). The Company also issued 25,000 common shares to the lessor pursuant to the option to lease agreement.

Hearst Graphite Project, Ontario

On August 16, 2013, the Company entered into an agreement (the "Benton Agreement") to acquire a 100% interest in the Hearst Graphite Project owned by Benton Resources Inc. ("Benton") near Zenyatta Ventures Ltd's Albany hydrothermal graphite discovery in Northern Ontario. The 16 claim units comprising the acquired property are located 35 km east of Zenyatta's Albany deposit and measure 1.6KM by 1.6KM in area.

Benton originally targeted these claims based on a search of historical exploration data from the region. A geophysical study conducted by Noranda Exploration Company in December of 1987, included both ground magnetic and horizontal loop electromagnetic (HLEM) surveys. Several HLEM conductors were identified by this survey, but the conductors on the acquired claim units were associated with magnetic lows. Noranda concluded at the time that these conductors were most likely due to graphite mineralization.

On August 22, 2013, the Company paid $8,000 in cash and issued 2,000,000 of its common shares at a deemed price of $0.20 per share to Benton in exchange for 100% interest in the Hearst Graphite Project. Pursuant to the terms of the Benton Agreement, 500,000 of the common shares issued to Benton were subject to a 10-month trading restriction that expired on June 22, 2014, another 500,000 common shares are subject to a 16-month trading restriction expiring on December 22, 2014 and another 500,000 common shares are subject to a 22-month trading restriction expiring on June 22, 2015.

In addition, Benton also holds a 2% Net Smelter Royalty interest from all ore production at the Hearst Project, subject to the right of Alabama Graphite under the Agreement to "buy back" 50% of Benton's NSR interest for $1,000,000.

Pursuant to a Finder's Fee Agreement dated August 29, 2013, the Company agreed to issue 150,000 common shares to an individual relating to the acquisition of the Hearst Graphite Project, which was subsequently issued on September 4, 2013.

Coosa Graphite Property - Property Description and Exploration Program

The Coosa Graphite Property is located in Coosa County, Alabama, 60 miles (96km) south-southeast of Birmingham and covers approximately 10 miles (16 kilometers) of strike length of graphitic schists, which includes several bands of graphitic schist in a zone up to 6 miles (9.6km) wide. An initial sampling program has been completed with positive results.

The distribution of the graphitic schists and the locations of higher grade areas within the Coosa Graphite Project are generally outlined on the available geologic maps but are poorly known in detail. The property has a well-developed network of access roads built for timber management purposes. These provide exposures of the schists in roadcuts, which would otherwise be difficult to find. Some of these have been sampled, in less than 10% of the prospective area. A preliminary sampling program consisting of 113 channel samples returned an average of 4.28% total carbon. Previous analyses at the Coosa Graphite Project indicate that 97% of the carbon is in the form of graphite.

In September 2012, the Company filed a technical report titled "Technical Report, Coosa Graphite Project, Coosa County, Alabama, USA, dated August 31, 2012 (the "Technical Report") prepared by Dana Durgin, a qualified person under National Instrument 43-101, which recommended the following:

(a) An airborne geophysical survey to define the locations and limits of the graphite-bearing schist units. This will focus the subsequent exploration efforts on the most favorable areas.

(b) In addition to the geophysical survey, a program of backhoe trenching is being implemented to further expose the geology in the areas where the channel sampling indicated the more well-mineralized graphitic horizons. This work is expected to define drilling targets.

In December 2012, the Company completed its first 6,000 meter drill program consisting of 66 core drill holes, which included 54 core holes in the grid and 12 holes drilled "fencing" the grid, six to the northeast of the grid and six to the southwest. The drill program consisted of an initial stratigraphic program designed to gain understanding of the local geology followed by drilling on a 200' by 200' grid intended to establish a resource. Two sonic drills were mobilized to the project site in mid-November by Major Drilling in order to improve recoveries through the upper weathered and unconsolidated oxidized zone. Of the 54 core holes in the grid, a total of 1,618.50 feet were drilled in 45 sonic holes, including the re-drilling of the upper portions of previous holes. The first nine holes were reported on December 20, 2012 containing graphite mineralization. The remaining drill core samples were shipped to ALS Minerals in Elko, Nevada, for analysis. The samples were analyzed for graphitic carbon (Cg) by the LECO method.

In January 2013, the Company continued receiving results from the 6,000 meter drill program. Results were received from holes AGC-H05C, H06C, H07C, H08C and H09C. All the reported assay results represent intervals that begin beneath the oxidation zone. These five holes (along with 38 others within the grid) were additionally pre-collared through the oxidized zone using a sonic drill.

Also in January 2013, the Company received assay results from six additional drill holes. Results were received from holes AGC-A04C, C04C, E05C, F05C, G07C and G09C. Holes A04C, C04C, E05C, F05C were part of an NW-SE transect across the grid. Holes A04C and C04C did not contain significant mineralized intervals as the quartz-muscovite-biotite-graphite schist (QMBGS) lithologic unit comprised the bulk of the core. Previous drill results suggest that this unit is sub-economic with respect to graphite content. Thick intercepts of the favorable quartz-graphite schist (QGS) unit were seen in the remaining holes. Based on the assay results, it appears that holes southeast of the E-line are within the primary mineralized zone at the Coosa Graphite Project.

Preliminary core logging has revealed that graphitic schists are the dominant rock type encountered in each of the first five stratigraphic holes. Cross-sections based on the drill results indicate that the graphitic schist unit has a true thickness in excess of 1,600 feet (515m). Samples were logged and sampled for graphitic carbon (Cg) by the LECO method.

The drill program and QA/QC program was under the supervision of Dr. Douglas Oliver, PhD, VP Exploration of the Company. Dana Durgin, a Qualified Person as defined in National Instrument 43-101, has reviewed all of the drill programs.

In February 2013, the Company received results from holes AGC-010C, 011C and 012C and when the results were combined with the previous results of AGC-009C a continuous graphitic horizon with a true thickness of 940' (286m) was defined. In addition to its thickness, the unit is notable for its consistency of graphite content. The Company further received results from diamond drill holes AGC-E02C, E08C, F04C, F07C, F08C, H02C and H04C.

On March 14, 2013, the Company announced that it had updated its original Technical Report dated August 31, 2012 and filed on SEDAR at www.sedar.com a revised technical report entitled "Technical Report, Coosa Graphite Project, Coosa County, Alabama, USA, dated February 25, 2013 prepared by Dana Durgin, a qualified person under National Instrument 43-101. The major revisions included the substantial increase in acreage held under the mineral lease, the Surface Use Agreement to drill on Headwaters Investments' property, permitting with the Alabama Department of Environment Management and a better understanding of local geology. The completion of a drill program involving both diamond coring and sonic drilling in which a total of 21,856.9 feet were drilled in 69 holes within the project area. Test results for 389 core holes and seven sonic holes are included in the report.

On May 16, 2013, the Company reported assay results from the remaining core holes from its 2012 drilling program at the Coosa Graphite Project, Alabama. Drilling on the 200' by 200' resource grid at the Coosa Graphite Project consisted of 54 core holes. The drill core was logged and sampled at the Company's facility in Sylacauga and shipped to ALS Minerals in Elko, NV, for analysis. The samples were analyzed for graphitic carbon (Cg) by the LECO method. Drill holes on the A, B, C and D-lines were among the last processed as an initial visual inspection of the core suggested that their graphite content was low. In contrast, holes on the northeastern portion of the E-line contained thick intercepts of graphitic schist. To some extent, this corresponds to a small topographic high. Graphitic mineralization found along the E-line remains open to the north and east. With the receipt of the current assays, all of the results have been received. Please refer to the Company's news release for details of these assays.

On July 16, 2013, the Company announced its maiden resource estimate for the property based on the results of a 69 hole, 20,414 foot drill program. The indicated resource is estimated at 38.2 million tons grading 2.60% graphitic carbon ("Cg"), based on a 2.0% Cg cut-off. In addition there is an inferred resource estimated at 27.0 million tons grading 2.87% Cg. Scott E. Wilson, CPG, a Qualified Person as defined by National Instrument 43-101 and independent consultant to the Company, has reviewed this resource estimate.

On August 28, 2013, the Company reported that it has received a preliminary mineralogical report (Graphitic Carbon Content (Cg) and Graphite Flake Size Distribution) for its new discovery, the Fixico Graphite Prospect which is contained within the Coosa Graphite Project area. This represents ongoing work performed by ActLabs of Ancaster, Ontario.

The Fixico Prospect is a small historic producer located approximately a kilometer to the southeast of the area of the Coosa Graphite Project where the Company has thus far concentrated its efforts. Recent fieldwork has confirmed that the Fixico Prospect is hosted within a separate graphitic schist horizon from that at the Coosa Graphite Project. Though these two graphitic horizons parallel each other, preliminary results suggest that differences exist with respect to the graphite mineralogy.
ActLabs conducted mineralogical analysis from two composite samples. The first composite was collected from the exposed open pit at the Fixico Mine. This sample contained 3.53% graphitic carbon (Cg). The second composite was collected 1.4km to the northeast along strike and contained 4.34% Cg. Based on electron microscopy analysis, the two samples had the following graphite size distributions:

	Sample 1	Sample 2
Jumbo (+48 mesh)	9.07%	5.12%
Large (-48 to +80 mesh)	22.67%	21.64%
Medium (-80 to +120 mesh)	13.65%	14.93%
Small (120 mesh)	54.61%	58.31%

On September 3, 2013, the Company announced the filing of a technical report titled "Technical Report, Alabama Garphite Corp., Coosa Project" dated August 30, 2013 (which was superseded by an amended technical report dated September 5, 2013 (the "2013 Technical Report")). The 2013 Technical Report was prepared by Scott E. Wilson and Dr. Stewart D. Redwood of Metal Mining Consultants Inc., qualified persons under National Instrument 43-101. The maiden resource estimate for the Coosa Graphite Project, Coosa County, Alabama, is based on the results of a 69 hole, 20,214 foot drill program. The indicated resource is estimated at 38.2 million tons grading 2.6% graphitic carbon ("Cg'"), based on a 2.% Cg cutoff. In addition there is an inferred resource estimated at 27.0 million tons grading 2.87% Cg.

Graphitic Carbon Indicated Mineral Resources		
Tons	Graphitic Carbon (Cg%)	Tons Cg
38,159,000	2.60	992,134

Graphitic Carbon Inferred Mineral Resources		
Tons	Graphitic Carbon (Cg%)	Tons Cg
26,992,000	2.87	774,670

There was a total or 1,862 ten-foot-length composites used in the mineralization estimate. Results were calculated using Vulcan software and stored in a Vulcan block model. MMC used inverse distance squared (ID2) as the estimation technique. Mineralization was constrained by a geologic model. Resources were constrained to a Whittle Pit. Resources reported at 2% Cutoff Grade.

The reported resource was constrained by an optimized Whittle pit in order to identify that portion of the mineral deposit that may meet the reasonable prospects of economic extraction. The constrained pit resource was determined using a selling cost US$1,450 per ton graphite. Mining, milling and processing costs were estimated from publically available graphite project costs. A cost of US$2.00 per ton was used for mining and a cost of US$10.00 per ton was used for processing. Graphite recoveries were assumed to be 90%. The Coosa pit measures 3,200 feet in a north-east direction and 1,900 feet in a south-east direction and has a maximum depth of 475 feet.

Exploration Activities during the Nine Months Ended May 31, 2014

In September 2013, the Company began the process of soliciting bids for airborne geophysical surveys for both its Alabama and Ontario exploration projects.

Exploration at the Coosa Graphite Project in Alabama has focused on testing areas where surface sampling has indicated significant quantities of graphitic carbon (Cg). Drilling in the Fall of 2012 produced the resource estimate released in September 2013. In addition, recent fieldwork has confirmed that additional horizons of graphitic schist are present within mineral leases held by the Company including the Fixico Prospect. At the recently acquired Hearst Prospect in Ontario, surface magnetometer and horizontal loop electromagnetic (HLEM) surveys conducted in the 1980s have indicated promising targets.

The Company's two graphite projects have different objectives. At the Coosa Graphite Project the goal is to evaluate new graphitic schist horizons using the identified resource for calibration. In addition to the primary graphitic horizon, the geophysical survey will also evaluate the Fixico horizon and a third horizon occurring further to the southeast. At the Hearst Graphite Project, the objective is to use more modern technology and closer line spacing to get a more detailed view of the historic geophysical targets. Electromagnetic and magnetometer surveys will be conducted simultaneously at both projects as a means of differentiating graphitic from sulfide mineralization.

In February 2014, the Company had contracted to have airborne Time-Domain Electromagnetic (TDEM), Magnetic (MAG), and Radiometric (SPEC) surveys conducted on the Coosa Graphite Property. Electromagnetic surveys have long been recognized as the most effective geophysical tool for identifying areas with graphitic mineralization. Magnetic surveys performed in conjunction with the electromagnetic surveys allow for the differentiation of possible sulfide mineral conductors. Finally, the reported correlation between uranium and vanadium minerals with graphite in the Alabama graphitic schist belt suggests that radiometric surveys may also be a valuable tool. ProspectAir Geosurveys of Gatineau, Quebec will also conduct TDEM and MAG surveys of the Hearst Graphite Property in Ontario.

On March 3, 2014, the Company announced that it has received assay results from samples taken from the Coosa Graphite Property. This sampling program is part of an ongoing effort to determine the extent and quality of graphite mineralization across the project area. Graphite mineralization occurs in a northeast-trending belt across the Piedmont of eastern Alabama. This belt of graphitic schists provided the majority of domestically produced graphite in the United States prior to the end of World War II. The Company has embarked on a sample collection program using the broad network of logging roads. Because the roads are often cut down to bedrock, this allows for handtrenching across the width of mineralization. The samples were shipped to ActLabs of Ancaster, Ontario, and assayed using their C-Graphitic (Infrared) technique.

A table of significant results and their true and apparent widths are given below:

Sample ID	Sample Width (feet)	True Width (feet)	Avg. C(g)%
CS-04	35	26.8	3.01
CS-49	30	23.0	3.14
CS-55	25	19.2	2.97
CS-67	25	19.2	3.37
CS-71	25	19.2	3.62
CS-82	15	11.5	4.67
CS-87	30	23.0	3.27
CS-88	25	19.2	4.83
CS-90	30	23.0	5.28
CS-99	35	26.8	3.67
CS-114	30	23.0	3.26
CS-126	20	15.3	3.91

The Company's recent effort has focused on finding higher-grade zones within the project area and these results indicate that significant graphite mineralization extends beyond the area where the Company had previously established a mineral resource estimate. The Company looks forward to integrating these assay results with the scheduled airborne geophysical survey to guide future exploration and metallurgical testing.

The average grade of the inaugural NI 43-101 indicated mineral resource estimate was 2.60% and these surface sample results are encouraging as they indicate the potential to enhance the overall grade of the project's resource.

On April 8, 2014, the Company announced that it has received preliminary results from the recent heliborne geophysical surveys on its Coosa Graphite Property. The preliminary results received included the Time-Domain Electromagnetic (TDEM), Magnetic (MAG) and Spectrometric (SPEC) surveys. ProspectAir Geosurveys of Gatineau, Quebec, conducted the geophysical surveys and is doing the data processing. The geophysical survey has identified multiple strong EM conductors associated with magnetic lows that represent new exploration opportunities. These newly defined targets have the potential to upgrade the Company's mineral resource estimate.

The Company's objective presently is to 'ground truth' the geophysical results. In particular, the results over the drill grid that defined the initial mineral resource estimate provide the means to correlate between the various surveys and the limits of graphite mineralization. Of the various surveys conducted, the TDEM survey is the most important. Because graphite is a conductor, rocks containing graphite show a strong electromagnetic (EM) response. However, since sulfide minerals such as pyrite and pyrrhotite are also conductors, it is critical to be able to distinguish whether EM anomalies are caused by graphite or sulfides. The magnetic survey can help identify the cause of the EM anomaly. Graphite will show a magnetic low whereas a response caused by sulfides will show a magnetic high.

With respect to the Coosa Graphite drill grid, the TDEM survey showed a very good correlation between the EM conductors and the intercepts of graphitic schist. The TDEM results further suggest that the resource remains open to the southeast, northeast and southwest. The grid also had a moderate magnetic response that is consistent with the observed sulfide content in the drill core. The correlation of these preliminary results with a known resource of flake graphite is an important step forward for the Company. The final geophysical results will be used in conjunction with ongoing surface sampling to guide the next phase of exploration and metallurgical analysis.

During the nine months ended May 31, 2014 and the year ended August 31, 2013, the Company incurred costs for exploration and evaluation assets as follows:

	Coosa Graphite Project Alabama	Hearst Graphite Project Ontario	Total
Acquisition Costs			
Balance, August 31, 2012	$ 503,079	$ -	$ 503,079
Additions :			
Option payments - cash	47,780	8,000	55,780
Option payments - shares	16,000	400,000	416,000
Finder's fee - shares	-	30,000	30,000
	63,780	438,000	501,780
Balance, August 31, 2013 and May 31, 2014	566,859	438,000	1,004,859
Deferred Exploration Costs			
Balance, August 31, 2012	$ 127,544	$ -	127,544
Additions :			
Assays	224,227	-	224,227
Core logging and surveying	29,118	-	29,118
Drilling	1,079,530	-	1,079,530
Equipment rental	5,221	-	5,221
Environmental/reclamation	318	-	318
Field supplies and works	201,187	-	201,187
Geological consultants	306,428	-	306,428
Legal fees	(575)	-	(575)
Repair and maintenance	755	-	755
Surface exploration	52,585	-	52,585
Transportation and travelling	79,898	-	79,898
	1,978,692	-	1,978,692
Balance, August 31, 2013	2,106,236	-	2,106,236
Additons:			
Assays	35,687	-	35,687
Consulting fees	1,866	-	1,866
Core logging and surveying	174,867	43,990	218,857
Environmental & reclamation	2,142	-	2,142
Equipment rental	1,503	-	1,503
Field and road works	11,823	-	11,823
Field supplies	2,369	-	2,369
Geological consultants	110,856	-	110,856
Transportation and travelling	12,494	-	12,494
	353,607	43,990	397,597
Balance, May 31, 2014	2,459,843	43,990	2,503,833
Total Exploration and Evaluation Assets	$ 3,026,702	$ 481,990	$ 3,508,692

Exploration Activities Subsequent to May 31, 2014

On June 5, 2014 the Company announced that it has received initial Metallurgical Scoping Level Evaluation of Graphite Composites at the Coosa Graphite Project from SGS Canada in Lakefield, Ontario, Canada.

Results from two drill core samples taken from the drill grid area and the northern fence yielded mass recoveries of 25% and 28% into the large (coarse) flake size category of greater than +80 mesh. In addition, initial simple flotation tests used to produce these initial concentrates had purities up to 93% C(t). A full process development study including grinding and flotation optimization will be initiated at SGS to determine the upper bounds of the purities. In addition, head grades of 3.21 % and 4.4 % C(g) were determined for these composite samples.

The Coosa Graphite Project is located within an area of significant historical production of flake graphite. The project has in place critical infrastructure, is within close proximity to transportation routes and a hospitable climate allowing for year-round production. The Company is pleased to report that the samples respond so favorably to the simple, flotation process.

The primary objective of the scoping-level program is to determine the zones that show the most promise from a metallurgical response and graphite flake-size distribution point of view. A full flow sheet development program will be completed on the most promising zones.

These preliminary results are extremely encouraging and are starting to showcase the combination of fundamental economics and the Company's mission to be one of the greenest graphite operations in the world. The fact that the initial tests already achieved concentrate grades of 93% is encouraging news.

Also it is important to note that the Company has uncovered multiple zones with more compelling geophysical signatures than the drill grid. The Company is actively engaged in testing these zones and anticipates releasing these results during the summer of 2014.

On June 12, 2014, the Company announced that it had begun ground geophysics at its Coosa Graphite Project. KLM Geoscience of Las Vegas, Nevada, was selected to conduct follow-up geophysics on targets identified in its recently completed airborne geophysical survey. KLM is evaluating both GEM-2 and TDEM systems over the defined Coosa Resource. The two systems differ in ease of use and depth of penetration. Once the effectiveness of these surveys is determined, one or both of the systems will then be used to evaluate which ones of the five new primary targets identified through the airborne survey conducted this past May, are the highest quality and worthy of further exploration.

The result from the surface sampling program will be integrated with the results of the air and ground geophysics as quickly as the data can be processed. Once the geochemical and geophysical data sets are integrated, the next step is to initiate a targeted sonic drill program. Ultimately, the Company anticipates that the surface sampling, geophysics and targeted sonic drilling will identify the most optimal targets worthy of a follow on comprehensive drill program during the summer in order to establish the highest quality resource.

From these results, the Company anticipates completing a bulk sampling program and a Preliminary Economic Assessment as quickly as possible later this year to further define the economics of the Coosa Graphite Project.

In June 2014, the Company provided samples for initial Bond Work Hardness Indices testing to SGS Canada in Lakefield, Ontario, Canada.

Bond Work Hardness Indices are a measure of the amount of work required to reduce a rock in size, in order to liberate the individual graphite flakes. The ease or difficulty of doing this has a direct impact on the economics of a graphite mine.

The Company has provided samples of both oxidized (weathered, at surface) and unoxidized (non-weathered) material for testing. The Coosa Graphite Project is unique among defined North American graphite resources in that a substantial portion of the deposit is oxidized. Historically, all of the graphite production from the Alabama deposits came from soft, decomposed rock in the oxidized zones.

Because of Alabama's location in the southern United States, glaciers never scoured off the oxidized upper portion of the deposit as they did in Canada or Alaska. It is the Company's expectation that the Bond Work Hardness Index for the weathered material will be substantially lower than either the deeper (unoxidized) portion of the Coosa deposit or other graphite resources in North America.

This testing will provide insight into the ease of milling the Alabama graphitic schist. These results – along with the ongoing metallurgical testing – will be used as inputs in a Preliminary Economic Analysis (PEA) expected to begin in the later part of 2014.

The Company's primary interest in initiating this testing is to get a head start in finalizing the parameters that will impact the economics of the Coosa Graphite Project. Given that the Company's mission is to be one of the greenest graphite producers in the world, something as simple as the hardness of the rock will affect the net environmental impact of the final process, the initial capital costs and the ongoing operating expenses of this project. The soft, easily broken-down nature of the oxidized rock is a unique characteristic of the Coosa Resource and the Company expects it will provide both intangible and tangible economic benefits going forward.

In July 2014, the Company initiated a reconnaissance drilling program at the Coosa Graphite Property. Major Drilling Environmental LLC has mobilized a Sonic drill to the staging area in Sylacauga, Alabama, for a twenty-hole program. Additional holes may be added pending initial results.

The focus of the drilling is to preview target areas identified during airborne and follow-up ground geophysical surveys performed in Spring, 2014. The airborne surveys identified five target areas characterized by strong EM conductors and weak magnetic response. Surface channel sampling has confirmed the presence of graphite in significant amounts. These areas are in close proximity and are geologically similar to the previously defined Coosa resource.

The sonic drill will collect continuous samples through the oxidized zone of the target areas. Surface casing will be set to the top of the un-oxidized zone to allow the holes to be deepened by core drilling at a later date. In addition, bulk samples will be taken at the collars of select holes for metallurgical testing.

The sonic drilling will allow the Company to test each of the five target areas identified during the airborne geophysical survey. As the Company has learned through previous drilling program, sonic drilling is a cost-effective exploration tool. In addition, it is the only drilling technology that will allow for continuous sampling through the soft, weathered upper portions of the graphitic schists.

The Company's goal is to put multiple holes into each of the five target areas as a prelude to a Fall drilling campaign. The Company suspects that one or more of these targets may be a satellite to the Coosa deposit – possibly one where the mix of flake-size and grade offers improvements on what the Company has already identified.

Samples will be processed initially at the Company's Sylacauga facility and shipped to ActLabs of Ancaster, Ontario, using their C-Graphitic (Infrared) technique.

Rick Keevil, P. Geo., a Director of the Company and VP of Project Development, is a Qualified Person as defined by National Instrument 43-101, has reviewed the contents of this MD&A.

OPERATING RESULTS

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight most recently completed quarters.

Quarter Ended	Total Revenue ($)	Income (Loss) and Comprehensive Income (Loss) ($)	Net Income (Loss) per Share Basic and Fully Diluted ($)
31-May-14	-	(340,144)	-
28-Feb-14	-	(574,036)	(0.01)
30-Nov-13	-	(422,733)	(0.01)
31-Aug-13	-	(240,720)	(0.01)
31-May-13	-	(128,873)	-
28-Feb-13	-	(447,986)	(0.02)
30-Nov-12	-	(393,015)	(0.02)
31-Aug-12	-	(574,169)	(0.04)

The increase in net losses for the quarters ended August 31, 2012, November 30, 2012, February 28, 2013 and February 28, 2014 were primarily due to the share-based payments expenses on stock options granted and the acquisition of Coosa Graphite Property.

Three Months Ended May 31, 2014

The Company incurred a net loss of $340,144 during the three months ended May 31, 2014 compared to a net loss of $128,873 during the same period of the previous fiscal year. The increase in net loss of $211,271 was primarily due to increase in activities relating to listing applications for listing on the TSXV and OTCQX, major financing, and promotion during the quarter with major expense items as follows:

(1) Accounting and legal expenses were $37,139 (2013 - $20,652), an increase of $16,487;
(2) Consulting expenses were $70,556 (2013- $24,678), an increase of $45,878;
(3) Office and administration expenses were $57,265 (2013 - $43,218), an increase of $14,047;
(4) Regulatory and filing fees were $58,133 (2013 - $2,590), an increase of $55,543; and
(5) Travel and promotion expenses were $103,086 (2013 – $21,534), an increase of $81,552.

Nine Months Ended May 31, 2014

The Company incurred a net loss of $1,336,913 during the nine months ended May 31, 2014 compared to a net loss of $969,874 of last year. The increase in net loss of $367,039 was primarily due to increase in activities relating listing applications for listing on the TSXV and OTCQX, major financing, and promotion during the period with major expense items as follows:

(1) Consulting fees were $138,978 (2013 - $109,572), an increase of $29,406;
(2) Interest and financing fees were $30,485 (2013 - $nil), an increase of $30,485 which was due to interest paid on loan financings;

(3) Office and administration expenses were $121,269 (2013 - $152,294), a decrease of $31,025 due to the Company's effort to lower overhead expense;
(4) Regulatory and filing fees were $81,831 (2013 - $15,596), an increase of $66,235;
(5) Share-base payments were $643,121 (2013 - $391,881), an increase of $251,240 due to stock options granted during the period.
(6) Travel and promotion expenses were $154,693 (2013 – $120,845), an increase of $33,848 as compared to last year;
(7) Loss on foreign exchange were $34,770 (2013 - $16,355), an increase of $18,415 due to weaker Canadian dollar and the Company's loans being denominated in US dollars; and
(8) Write off of accounts payable were $24,469 (2013 - $ nil).

FINANCIAL CONDITION

At May 31, 2014, the Company had current assets of $1,029,091 (August 31, 2013 - $122,875) and total current and long-term liabilities of $519,636 (August 31, 2013 - $891,124). At May 31, 2014, the Company had a working capital of $509,455 (August 31, 2013 – deficiency of $577,287). Improvement in liquidity position of the company as compared to last year ended August 31, 2013 was mainly due to the completion of private placement in the 2nd quarter ended February 28, 2014. Of the total liabilities, $383,028 relates to a promissory note payable as follows:

On July 31, 2013, the Company, through its subsidiary, executed a non-negotiable promissory note in the amount of US$550,116. The Note is secured against the Coosa Graphite Property, bears interest at 7% per annum and is due in accordance with the following provisions:

- US$10,000 on each of August 15 (paid), September 15 (paid) and October 15, 2013 (paid);
- US$30,000 on each of November 15 (paid) and December 15, 2013 (paid) and January 15, 2014 (paid only US$10,000 as per verbal agreement);
- US$40,000 on each of February 15 (paid only $10,000 as per verbal agreement), March 15 (paid), April 15 (paid), May 15 (paid), June 15 (paid), July 15 (paid), August 15 and September 15, 2014; and
- The balance of the loan, including all principal and interest due thereon, on October 15, 2014.

In the event of default, interest shall accrue at 18% per annum (or the maximum rate of interest allowed by law) and the Company shall become responsible and liable for the lender's collection costs and expenses. The Company may prepay any or all of the principal balance at any time without premium or penalty.

		May 31 2014		August 31, 2013
Payable not later than one year	$	383,028	$	434,324
Payable later than one year and not later than five years		-		190,962
	$	383,028	$	625,286
Payable in Cdn$	$	3,863	$	51,767
Payable in US$		348,914		543,465
Foreign exchange		30,251		30,054
	$	383,028	$	625,286
Exchange rate (Cdn$/US$)		1.0867		1.0553

Note: The promissory note of US$550,116 to the drilling contractor was described as an unsecured loan in the Company's August 31, 2013 audited financial statement s and should have been described as a secured loan..

The balance of the promissory note payable at May 31, 2014 includes $6,596 (August 31, 2013 - $1,760) in accrued interest.

EQUITY FINANCING

At May 31, 2014, there were 71,422,163 issued and fully paid common shares (August 31, 2013 – 34,984,128).

<u>During the nine months ended May 31, 2014:</u>

On September 4, 2013, the Company issued 150,000 common shares at a price of $0.20 per share as a finder's fee for the Hearst Graphite Property.

In November 2013, the Company completed a private placement of 875,000 units at price of $0.08 per unit for gross proceeds of $70,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.12 per share for a period of two years from closing of the offering. The Company paid a finder's fee of 7% cash and 7% finder's warrants on the gross proceeds.

In January 2014, the Company completed a private placement of 30,714,285 units at price of $0.07 per unit for gross proceeds of $2,150,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.10 per share for a period of three years from closing of the offering. The Company paid a finder's fee in cash for total of $193,500 and 2,764,286 finder's warrants. Holder of the finder's warrants will entitle to acquire one unit ("BW Unit") at a price of $0.07 per unit for period of two years from the closing date. Each BW Unit consists of one common share and one purchase warrant ("BW Warrant"). Each BW Warrant will entitle the holder to purchase one additional common share at a price of $0.10 per share for a period of three years from the closing date.

During the nine months ended May 31, 2014, 3,998,750 warrants were exercised for total gross proceeds of $385,850.

<u>During the year ended August 31, 2013:</u>

On September 21, 2012, the Company issued 250,000 restricted common shares to its President and CEO for past services pursuant to an employment agreement. The Company also issued 1,000,000 common shares to a private company in connection with the acquisition of the Coosa Graphite Project and for finding the CEO of the Company. The shares were valued at the market price of $0.19 per share for total value of $190,000. The Company allocated $95,000 as a finder's fee for the acquisition cost of the property and $95,000 as a referral fee for referring the CEO to the Company. In addition, the Company issued 150,000 common shares as a finder's fee in connection with a private placement completed in August 2012.

On December 7, 2012, the Company completed a non-brokered private placement of 1,795,000 units at a price of $0.35 per unit for gross proceeds of $628,250. Each unit consists of one common share and one-half of one transferable common share purchase warrant entitling the holder thereof to acquire one additional common share at a price of $0.50 per share for a period of two years from closing of the offering. The Company paid finder's fees of $22,540 cash and finder's warrants of 64,400 units and the warrant units have the same terms as the private placement units.

On December 14, 2012, the Company issued 25,000 common shares at a deemed price of $0.64 to the lessor in Cooosa County to lease an additional of 27,943 acres.

On June 28, 2013, the Company completed a private placement of 2,238,050 units at a price of $0.15 per unit for gross proceeds of $335,708. Each unit consists of one common share and one transferable common share purchase warrant entitling the holder thereof to acquire one additional common share at a price of $0.25 per share for a period of two years from closing of the offering.

On July 11, 2013, the Company issued 528,385 common shares at a deemed price of $0.13 per share to settle approximately $68,690 owed to various creditors for past consulting and other services provided to the Company.
On August 16, 2013, the company paid $8,000 in cash and issued 2,000,000 common shares at a deemed price of $0.20 per share to Benton Resources in exchange for the Hearst Project. All of the shares issued pursuant to the transaction are subject to a four-month hold period expiring on December 23, 2013.

During the year ended August 31, 2013, 8,300,000 warrants were exercised for total gross proceeds of $674,000.

CAPITAL RESOURCES

At May 31, 2014, the Company had cash and cash equivalents of $988,233 (August 31, 2013 - $108,235). As of the date of this MD&A, the Company believes that it does have sufficient working capital at this time to meet its ongoing financial obligations. However, the Company may need additional financing if the exploration results are favorable and new and extended exploration program are justified.

RELATED PARTY TRANSACTIONS

As at May 31, 2014, the amounts due to related parties are included in accounts payable and accrued liabilities as follows:

		May 31, 2014		August 31, 2013
Directors and officers of the Company	$	35,294	$	69,421

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the nine months ended May 31, 2014 and 2013, the Company incurred the following charges with related parties:

		2014		2013
Accounting fees to a private company controlled by the CFO of the Company	$	6,410	$	15,900
Consulting fees to directors and officers of the Company		163,772		90,959
Bonus to a director and an officer of the Company		-		13,081
Share-based payments to directors and officers of the Company		551,856		146,225
	$	722,038	$	266,165

OTHER CONTRACTS

The Company and its wholly-owned subsidiary, Alabama Graphite Company, Inc. ("AGC"), entered into an employment contract with Daniel Spine on August 28, 2012 which includes the following terms:

(a) US$50,000 signing bonus from AGC upon completion of a debt or equity financing to allow the Company to enter into commercial production of a mineral deposit;

(b) Upon the payment of the bonus, an increase in consulting fees to a minimum of US$10,000 per month; and

(c) In the event that the CEO's employment is terminated, the termination payment is equal to the monthly consulting fees at the date of termination times the number of years employed.

Daniel Spine resigned as CEO and director of the Company on May 14, 2014.

LATEST SHARE CAPITAL INFORMATION

As of the date of this report, the following securities were outstanding:

Common shares – 78,677,113
Stock options – 6,860,000
Warrants – 29,301,171

INVESTOR RELATIONS

On January 7, 2013, the Company announced that its company information would be made available via Standard & Poor's Corporation Records Listing Program. As part of the program, a full description of the Company will be published in the Daily News Section of Standard & Poors's IQ Corporation Records, a recognized securities manual for secondary trading in up to 38 States under the Blue Sky Laws. Standard & Poor's Corporation Records is available in print, CD-ROM, and via the web at www.netadvantage.standardandpoors.com as well as through numerous electronic vendors. The company information to be made available through this program includes an in-depth description of the Company's business operations, share price, dividend history, shares outstanding, company financial position, earnings, and full financial statements.

MARKETING AND ADVERTISING

The Company has embarked on several campaigns to market and advertise in online and print trade publications, relevant trade shows and investor conferences.

PERSONNEL

Daniel Spine	CEO, and director, effective August 21, 2012; resigned on April 23, 2014.
Harsharn (Ron) Roda	President, effective August 26, 2013; appointed as CEO and director on April 23, 2014; appointed as Corporate Secretary on April 30, 2014.
Jean Depatie	Director and Chairman of the Board, effective November 22, 2012.
Dr. Douglas Oliver	VP, Exploration, effective August 21, 2012.
James K. Duff	Director, effective September 18, 2012.
John Morita	CFO, effective May 25, 2011 and director, effective March 8, 2013; resigned as director on May 14, 2014.
Wade N. Black	Director, effective October 31, 2012.
Richard Keevil	Vice President – Project Development and director, effective February 18, 2014.
Adrian Robertson	Corporate Secretary, effective November 22, 2012; resigned April 30, 2014.
Daniel P. Goffaux	Director, appointed on May 14, 2014.

Effective April 23, 2014, the Company has appointed Ron S. Roda as Chief Executive Officer and Corporate Secretary of the Company to replace Daniel Spine.

Prior to joining Alabama Graphite Mr. Roda was Managing Director within the investment bank at Citigroup in New York. His responsibilities at Citigroup included managing the finance function for North America trading and capital market origination activities within the investment bank. He spent 10 years within the investment bank of Citigroup in roles of increasing responsibility. He has also held finance roles at UBS and at Merrill Lynch. Ron brings over 20 years of experience in financial management, business analysis, due diligence, business combinations, reporting & control, fundraising and strategic operational improvements.

Effective April 23, 2014, Daniel Spine has been appointed the role of Vice President, Business Development of the Company. In his new role Mr. Spine will focus on developing strategic relationships critical to the future success of the Company. He will concentrate his efforts on cultivating relationships with state and local governments, regulatory bodies, strategic partners and graphite end-users.

On May 14, 2014, the Company announced that Daniel P. Goffaux has joined the Company as a member of the board of directors of the Company.

Mr. Goffaux is a veteran of the mining industry and brings over 40 years of engineering, development, operations and managerial experience. Specifically he is one of a limited number of individuals to have led the construction, certification and start-up of a flake graphite mine in North America. Mr. Goffaux was President of Stratmin Graphite Inc. (now Timcal Canada Inc., a member of Imerys S.A. (Euronext Paris: NK) and along with Mr. Jean Depatie, Chairman of the board of the Company, was instrumental in the development of the Stratmin Graphite Mine. Stratmin was the first (and still the only) graphite producer in North America.

Mr. Goffaux was responsible for preparing the feasibility report, overseeing construction of the mill and managing to have the operations certified ISO 2003 within 3 years, contributing to the marketing success of its graphite flake product in over 35 countries. In addition his extensive mining experience in Canada and abroad includes the following: as Mine Superintendent/Chief Engineer he led the development and start-up of the Thierry Copper Mine, at Union Minière and Mining Corp. (Montreal), Vice President of Mines at Sullivan Mines (Montréal), General manager for all Joint Ventures at Cambior, Vice President of Operations, El Limon mine at Triton Mining Corporation (Nicaragua) and General Manager of Bougrine zinc mine at Breakwater Resources (Tunisia). He retired from Breakwater Resources Ltd. in 2011, where he held the position of Vice President, Latin America, responsible for mining operations in Honduras and Chile where he modernized mining methods and reduced operating costs. The Chilean operation was the first in the mining industry to integrate a wind farm with hydro and diesel plants to supply power to the mine.

Mr. Goffaux graduated from the University of Liège, in Belgium, where he obtained a Master of Science in Engineering (Mines) and a Master of Engineering (Geology). He is registered as P. Eng. in Ontario and is a member of l'Ordre des Ingénieurs du Québec.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to Notes 2 and 3 of the condensed interim consolidated financial statements for the nine months ended May 31, 2014.

FINANCIAL INSTRUMENTS

For a detailed description of financial instruments and their associated risks, see Note 3 to the Company's condensed interim consolidated financial statements for the nine months ended May 31, 2014.

BUSINESS RISK AND UNCERTAINTIES

Credit risk

Credit risk is the loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables consist primarily of sales tax receivables due from the federal government agencies. The maximum exposure to credit risk at the reporting date is the carrying value.

Liquidity risk

The Company manages its liquidity risk by monitoring its cash requirements and using various funding sources to ensure its financial flexibility. As at May 31, 2014, the Company had cash and cash equivalents of $988,233 to settle current liabilities of $519,636. All of the Company's financial liabilities are subject to normal credit terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

(b) *Foreign currency risk*

The Company is not exposed to foreign currency risk on its financial instruments.

(c) *Price risk*

The Company is not exposed to price risk with respect to commodity and equity prices on its financial instruments. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

ACCOUNTING POLICIES

Accounting Standards Issued But Not Yet Effective

The Company is currently measuring the impact that the following Standards will have on its financial statements:

- IFRS 9 "Financial Instruments"
- IAS 32 "Financial Instruments: Presentation"

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

EVENTS SUBSEQUENT TO MAY 31, 2014

Subsequent to the period end, a total of 6,734,950 warrants were exercised at $0.10 per share and 175,000 warrants at $0.07 per share for gross proceeds of $685,745.

On July 18, 2014, the Company granted 400,000 stock options to a director of the Company at an exercise price of $0.18 per share for a five year period. Of these options, 75,000 will vest immediately and the balance will vest over a three year period.