

FORM 7

MONTHLY PROGRESS REPORT

Name of CNQ Issuer: Carbon Friendly Solutions Inc. (the "Issuer").

Trading Symbol: CFQ

Number of Outstanding Listed Securities: 69,790,748

Date: Month of April 2013

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

MicroCoal Inc. ("MCI") Advances its Indonesian Project to the Facility Design Stage

MCI has successfully tested two shipments of coal from PT Kalimantan Powerindo Power Plant Industries in Indonesia ("Indonesian Coal") at the MCI pilot facility outside Denver, Colorado. This testing is part of the binding Letter of Intent ("LOI") previously announced on December 17, 2012. MCI has tested the Indonesian Coal to determine the optimal processing and design of the MicroCoal™ facility to be constructed this year.

2. Provide a general overview and discussion of the activities of management.

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

Global CO2 Reduction Inc.

Global CO2 is currently working on identifying potential reforestation projects in British Columbia for the creation of emission offsets validated to North American Voluntary and Compliance standards. These offsets will be allocated for sale in the North American voluntary and compliance markets.

Carbiopel S.A. (formerly "Carbiopel Eco-Streams Power S.A. Poland")

The Issuer owns a 100% interest in Carbiopel S.A. ("Carbiopel"). Carbiopel is based in Lezajsk, Poland, focuses on the production of biomass fuel pellets for the European market, including large European utilities and independent renewable energy providers, in line with European renewable energy directives, using agricultural residues as feedstock.

MicroCoal, Inc.

The Issuer owns a 100% interest in MCI. MCI is headquartered in Denver, Colorado with its pilot plant located in Golden, Colorado, is a materials technology issuer 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. Its initial target market is the coal-fired segment of the North American electrical utility industry. Coal-fired power plants currently produce nearly 50% of the electricity in the US. MCI's proprietary on-site process cleans up coal at the power plant prior to combustion by reducing contaminants like sulfur and mercury and also improving fuel efficiency by removing water. This helps to accelerate the existing trend of fuel switching to low-rank Powder River Basin (western) coals. The Issuer is building on its extensive portfolio of patents pending and proprietary know-how.

In December 2011, MCI entered into a Letter of Interest ("LOI") with Ameren Corporation (NYSE:AEE) ("Ameren") to negotiate a term sheet and enter into a proposed license agreement relating to the deployment of MCI technology at one of Ameren's coal-fired power plants (the "Nominated Plant") in two main phases:.

The first phase consisted of re-configuring MCI's four year old pilot plant (the "Plant") in Colorado to determine the design for Ameren's plant in upgrading Powder River Basin (PRB) coal to higher energetic value (BTU rating).

The second phase involves the construction and operation of a fully integrated commercial plant, which will be able to treat 250,000 tons of PRB coal per month. This first commercial coal upgrading plant will be located at Ameren's Nominated Plant, located in the State of Missouri. It is a 1,000 Megawatt coal-fired plant and burns approximately 3 million tons of coal annually. The Nominated Plant is one of the largest among the 11 coal-fired plants owned by Ameren.

On March 26, 2012, the Issuer announced that, through its wholly-owned subsidiary MicroCoal International Inc. ("*MicroCoal Int'l*"), it had signed a Memorandum of Understanding ("*MOU*") with Hebei Iron and Steel Group Limited ("*HBIS*"), a major iron and steel producer in China, setting out the terms for a detailed project design package to be developed for a large scale industrial facility. HBIS utilizes approximately 9 million tonnes of coal per year to produce steel. MicroCoal Int'l's technology has been developed to reduce input costs, optimize operational performance and decrease environmental footprint.

In April 2012, MCI successfully concluded the installation and commissioning of its Microcoal Commercial Reactor, at its Boulder, Colorado, pilot plant to accommodate upgraded coal requirements of a large-scale facility. The Plant recently completed the treatment of two high-rank coals.

Hazen Research, Inc.'s lab in Golden, Colorado, has been working with the Issuer to analyze raw and treated coal samples on a number of parameters, with the specific focus of reducing moisture. Results from these analyses indicate a decrease in moisture by 87-93%, resulting in less than 1% residual moisture in each respective coal sample. This serves as further support for the Issuer's technological process for reducing moisture, and as a result, providing significant value for a number of coal users. MCI is continuing to optimize its process by developing a broad database of several coal analyses. It has also scheduled additional treatments including: consignment of lignite coal to investigate a financial scenario for lignite coal- consuming plants, and testing of a multiple of Asian and North American coal samples.

On June 4, 2012, the Issuer announced it had successfully completed tests on its MicroCoal™ Commercial Reactor at its pilot plan in Boulder, Colorado. The testing showed the beneficial attributes of the technology and the design for treating large volumes of low-rank coal. The internationally patented technology that was the basis of these tests used a unique vertical reactor, the first of its kind for coal treatment. This complex project consisted of testing heterogeneous coal and understanding complex variables such as solid (coal) flow, microwave generation and deployment, the chemistry of coal and its impurities, the chemistry of microwave-coal interaction, and water evaporation physics.

These tests have shown that MicroCoal™ can remove water in a continuous process in a system that is modular and can be scaled up to meet requirements of utilities that wish to adopt the MicroCoal™ technology. By removing the water from untreated coal, utilities potentially can save \$20 - \$40 MM or more in costs for each coal-fired power plant. The MicroCoal™ technology also improves operational performance for the utility by reducing ash and improving the boiler's efficiency. The environmental performance is improved by removing contaminants, such as sulphur and mercury from the coal, reducing the need for expensive flue gas scrubbers.

Commercial testing objectives, which were all successfully met, included: production of an optimum facility design in which coal flows by gravity alone while being radiated by microwave energy; examination of the rate of moisture loss in coal and the collection of coal bound inherent moisture in a continuous process; examination of the process behavior under varying energy levels; and understanding the materials of construction and design for optimum commercial deployment.

The Issuer has received written confirmation from PT Jembangkitan Jawa Bali that its bid to design and install a MicroCoal facility at the PT PJB UNIT PEMBANGKITAN PAITON

2 X 400MW coal-fired power plant ("Paiton Plant") in Paiton, East Java, Indonesia, meets all regulatory standards and requirements and can now be advanced to the first qualification stage. The Issuer is currently working closely with an experienced Indonesian government contractor, PT CITICON ADINUGRAHA to start analyzing data specific to the Paiton Plant and to prepare a more comprehensive construction and installation proposal.

MicroCoal Int'l has entered into a binding letter of intent ("LOI") with Carbon 2 Power Ventures Inc., of Vancouver, BC ("C2P"), and PT Wijaya Tri Utama, of Kalimantan, Indonesia ("PAK"), whereby a small scale commercial MicroCoal plant ("SSCP") will be constructed at the 15MW power plant, Banjarmasin Power Plant ("TTP") owned and operated by PAK. Pursuant to the terms of the LOI: 1) MicroCoal Int'l and PAK will provide project financing for the SSCP; 2) the parties shall work together to improve: a) the cost economics of the input coal that has been targeted by the parties and b) to reduce the operating costs by way of an investment with a payback of three years; 3) PAK will engage MicroCoal Int'l as the sole provider of upgrades and maintenance for all technology installed at TTP; and 4) the installation will be in two phases, and the parties have agreed that it shall take between six to twelve months.

The Issuer's wholly-owned subsidiary, MicroCoal Europe Sp. zo.o. ("MicroCoal Europe"), has successfully completed and submitted its funding application under GEKON—Generator of Ecological Concepts Project, (the "Application"), a government financed project to build a European MicroCoal™ test facility located in Poland (the "Facility"). It is estimated that the cost of setting up the Facility and operating it for a two year period is \$3.5 MM (10,922,930 Polish Zloty). Two million three hundred and fifty-thousand dollars (\$2.35 MM; 7,383,098 Polish Zloty) of the cost shall be funded through the Application.

MicroCoal Europe has entered into a consortium with the Institute of Power Engineering, a Polish Government Institute, to accomplish the following:

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

Agreements with L2I to Validate and Monetize Carbon

The Issuer has signed two agreements with L2I Financial Solutions ("L2I") to obtain additional value from the Issuer's carbon credit projects.

The first agreement, the Development and Registration Proposal, allows L2I to develop a methodology for the Issuer's wholly owned subsidiary, MCI, to quantify and monetize greenhouse gas emission reductions that arise when coal is treated with the MicroCoal™ process.

Further, methodology and certification under this agreement will allow MCI to generate valuable carbon credit offsets under the Verified Carbon Program, a recognized North American carbon program for MicroCoal commercial facilities in North America.

The second agreement, the Call Option Contract, allows L2I the right to purchase all of the carbon credits issued from the Issuer's projects.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

None.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

None.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None.

8. Describe the acquisition of new customers or loss of customers.

None.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

None.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

The Issuer appointed Mr. Robert Randall Johnson as Senior Project Manager with MCI. Mr. Johnson brings over 30 years of engineering and project management expertise in the coal industry.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

No new legal proceedings for the month of April 2013.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None.

14. Provide details of any securities issued and options or warrants granted.

Together with its subsidiaries, Global CO2 and CO2 Reduction Poland, the Issuer commenced a legal proceeding in the British Columbia Supreme Court against Waldemar Dziak, Jacek Roslonski, Krzysztof Szamalek, Peco Import-Export, Malgorzata Roslonska aka Marzena Roslonski and Union Securities Ltd. (collectively the “Defendants”) on August 24, 2011, which claim was seeking, *inter alia*, an order rescinding the agreement(s) between the Issuer and/or its subsidiaries and the Defendants, orders that would result in the cancellation of an aggregate of 1,500,000 common shares in the capital stock of the Issuer, an injunction and damages;

On September 14th, 2011, Union Securities Inc. obtained an order whereby the shares issued to the Defendants have been held by the British Columbia Supreme Court; and

On February 22, 2013, the Issuer was successful in obtaining an order against the Defendants whereby the escrow agreement, as it pertains to Mr. Szamalek, Mr. Dziak and Mr. Roslonski was rescinded and the shares held in court were released to the Issuer for cancellation, which shares have now been cancelled and returned to treasury.

15. Provide details of any loans to or by Related Persons.

None.

16. Provide details of any changes in directors, officers or committee members.

None.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer’s market(s) or political/regulatory trends.

The trends and risks which are likely to impact the Issuer are detailed in Item 17 *Risk Factors* of the Issuer’s Form 2A - Listing Statement dated December 23, 2010.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated May 3, 2013.

Slawomir Smulewicz

Name of Director or Senior Officer

/s/ Slawomir Smulewicz

Signature

Chief Executive Officer

Official Capacity

Issuer Details <i>Name of Issuer</i> Carbon Friendly Solutions Inc.	<i>For Month End</i> April 2013	<i>Date of Report</i> <i>YY/MM/DD</i> 13/05/02
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