

CANADA COAL INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canada Coal Inc.:

We have audited the accompanying consolidated financial statements of Canada Coal Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

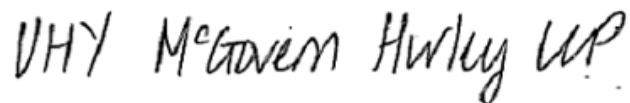
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Coal Inc. and its subsidiaries as at September 30, 2017 and 2016, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 10, 2017

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

	September 30, 2017	September 30, 2016
ASSETS		
Current		
Cash and cash equivalents (Note 7)	\$ 1,170,111	\$ 1,372,863
Receivables (Note 8)	3,232	3,230
Prepaid expenses (Note 9)	4,750	5,145
Total Assets	\$ 1,178,093	\$ 1,381,238
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 19,019	\$ 22,322
Total Liabilities	19,019	22,322
Shareholders' equity		
Capital stock (Note 12)	7,440,037	7,440,037
Reserves	115,039	523,202
Deficit	(6,396,002)	(6,604,323)
Total Shareholders' Equity	1,159,074	1,358,916
Total Liabilities and Shareholders' Equity	\$ 1,178,093	\$ 1,381,238

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 16)

On behalf of the Board:

_____, Director

_____, Director

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30,

	2017	2016
EXPENSES		
Management fees (Note 11)	\$ 156,000	\$ 156,000
Office, rent, and miscellaneous	14,210	14,837
Professional fees (Note 11)	18,729	19,104
Shareholder communications and promotion	3,339	1,074
Stock-based compensation (Notes 11 and 12)	-	113,549
Property/project investigation costs	-	2,700
Transfer agent and filing fees	17,157	17,075
Loss before other items	209,435	324,339
OTHER ITEMS		
Investment income	(9,593)	(10,823)
Expense of exploration and evaluation expenditures	-	90
Net loss and comprehensive loss for the year	\$ 199,842	\$ 313,606
Basic and diluted net loss per common share	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding – basic and diluted	43,449,750	43,449,750

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (199,842)	\$ (313,606)
Items not affecting cash:		
Stock-based compensation	-	113,549
Expense of exploration and evaluation expenditures	-	90
	(199,842)	(199,967)
Change in non-cash working capital items:		
(Increase) in receivables	(2)	(52)
Decrease in prepaid expenses	395	2,648
(Decrease) in accounts payable and accrued liabilities	(3,303)	(1,666)
Net cash flows (used by) operating activities	(202,752)	(199,037)
CASH FLOW FROM INVESTING ACTIVITIES		
Refund of coal license deposits	-	10,787
Net cash flows from investing activities	-	10,787
(Decrease) in cash and cash equivalents	(202,752)	(188,250)
Cash and cash equivalents, beginning of year	1,372,863	1,561,113
Cash and cash equivalents, end of year	\$ 1,170,111	\$ 1,372,863
Cash and cash equivalents, comprised of:		
Cash	\$ 4,636	\$ 21,981
Short term money market investments	1,165,475	1,350,882
	\$ 1,170,111	\$ 1,372,863

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED

	Number of Shares	Capital Stock	Equity Settled Share- Based Payments Reserve	Deficit	Total
Balance, September 30, 2015	43,449,750	\$ 7,440,037	\$ 516,260	\$ (6,397,324)	\$ 1,558,973
Stock-based compensation	-	-	113,549	-	113,549
Expiry of options	-	-	(106,607)	106,607	-
Net loss and comprehensive loss for the year	-	-	-	(313,606)	(313,606)
Balance, September 30, 2016	43,449,750	\$ 7,440,037	\$ 523,202	\$ (6,604,323)	\$ 1,358,916
Expiry of options	-	-	(408,163)	408,163	-
Net loss and comprehensive loss for the year	-	-	-	(199,842)	(199,842)
Balance, September 30, 2017	43,449,750	\$ 7,440,037	\$ 115,039	\$ (6,396,002)	\$ 1,159,074

See accompanying notes to consolidated financial statements.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Coal Inc. (hereafter the "Company" or "Canada Coal") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc. The Company's principal business has been the acquisition and exploration of coal properties in Nunavut, Canada however it is currently exploring other business opportunities. The Company has not generated significant revenues from its operations.

The Company's head office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9.

These consolidated financial statements were approved by the Board of Directors on November 10, 2017.

The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of the expenditures incurred for exploration and evaluation expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, the achievement of profitable production, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2017, the Company had working capital of \$1,159,074 and an accumulated deficit of \$6,396,002 compared with working capital of \$1,358,916 and an accumulated deficit of \$6,604,323 as at September 30, 2016. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as held-for-trading, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Canadian Sovereign Coal Corp., a company incorporated under the laws of British Columbia, and 5200 Nunavut Ltd., a company incorporated under the laws of Nunavut. During fiscal 2017 and 2016, the subsidiaries held title to the coal licences and had no other assets or liabilities. Significant inter-company balances and transactions have been eliminated upon consolidation. All references to the Company should be treated as references to Canada Coal Inc. and its subsidiaries.

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term money market investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company.

Financial instruments

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with subsequent changes in fair value recognized in the statement of loss. As at September 30, 2017 and 2016, the Company's cash equivalents are classified as held-for-trading.

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are recognized in the statement of loss. As at September 30, 2017 and 2016, the Company has no held-to-maturity financial assets.

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are recognized in the statement of loss. The Company's cash and receivables are classified as loans and receivables. The estimated fair values of these financial instruments approximate their carrying values because of the limited terms of these instruments.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income (loss). Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Regular way purchases and sales of financial assets are accounted for at the trade date. As at September 30, 2017 and 2016, the Company has no available-for-sale assets.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are recognized in the statement of loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities, which are carried at amortized cost. Due to their short-term natures, the fair values of these financial instruments approximate their carrying values, and are not subject to significant credit or interest rate risk.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At September 30, 2017 and 2016, the Company's financial instruments that were carried at fair value, consisted of cash equivalents which have been classified as Level 2 within the fair value hierarchy.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the statement of loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of loss.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of comprehensive loss.

Impairment of non financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of loss.

Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company and its subsidiaries. All monetary assets and liabilities are translated at the rate of exchange at the financial reporting date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the statement of loss.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures

The Company recorded its interests in properties and areas of geological interest at cost. Expenditures incurred prior to obtaining the legal right to explore are expensed. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. The Company classifies the costs between exploration and evaluation expenditures and equipment based on the nature of the costs incurred.

The cost of property interests includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related exploration and evaluation costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its properties on a periodic basis and when events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of revenues from the property or from the sale of the property. As at September 30, 2017, the Company no longer held any property interests.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of-production method. Changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation impact the carrying value of the asset and liability. The related liability is adjusted each period for the unwinding of the discount rate. The Company had no significant restoration, rehabilitation and environmental obligations as at September 30, 2017 and September 30, 2016.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2017 and 2016.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Unexercised expired stock options are transferred to deficit.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. Unexercised expired warrants are transferred to deficit.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the years ended September 30, 2017 and 2016, all the outstanding stock options were anti-dilutive.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive loss

Other comprehensive loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are presented separately in the consolidated statement of changes in equity. The Company has no financial assets classified as available for sale, and accordingly, net loss is equivalent to comprehensive loss.

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. The impact of these estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates made by the Company include factors affecting the recoverability of exploration and evaluation expenditures, inputs used for share-based payment transactions, inputs used for valuation of warrants and valuation of deferred tax assets and liabilities. Actual results could differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and amended IFRS pronouncements

The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2016. These changes were made in accordance with the applicable transitional provisions. The adoption of these standards did not have a material impact on the Company's financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply.

Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IAS 7 Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company's capital structure to primarily consist of the components of shareholder's equity.

The Company is dependent on external financing to fund its activities. In order to carry out future activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company continues to seek and assess new opportunities to acquire an interest in additional properties or projects if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the year ended September 30, 2017.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

6. FINANCIAL RISK FACTORS

There have been no changes in the risks, objectives, policies and procedures from the previous period. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its current short and mid-term funding requirements.

Market risk

(a) Interest rate risk

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

(b) Foreign currency risk

The majority of the Company's administrative expenditures are transacted in Canadian dollars. The Company funds certain expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at September 30, 2017 would not have a significant impact on the Company's financial statements.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity analysis

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

7. CASH AND CASH EQUIVALENTS

The Company's short term money market instruments accrue interest at 0.75% to 0.85% per annum (2016: 0.75% per annum) and are redeemable at any time without penalty.

8. RECEIVABLES

The receivables balance is comprised of the following item:

	September 30, 2017	September 30, 2016
Sales tax due from Federal Government	\$ 3,232	\$ 3,230
Total	\$ 3,232	\$ 3,230

CANADA COAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

9. PREPAID EXPENSES

The prepaid expense balance is comprised of the following item:

	September 30, 2017	September 30, 2016
Insurance	\$ 4,750	\$ 5,145
Total	\$ 4,750	\$ 5,145

10. EXPLORATION AND EVALUATION EXPENDITURES

The Company has allowed its previously held coal exploration licences in Nunavut to expire. The carrying value of the exploration and evaluation expenditures were written off as of September 30, 2014 due to the uncertainty of reaching an agreement with the local community with respect to the Company's proposed exploration plan.

11. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them or any companies where they are also a director or officer.

Trading Transactions

The Company entered into the following transactions with related parties for the years ended September 30:

	Nature of transactions	Notes	2017	2016
West Oak Capital	Management fees	a	\$ 96,000	\$ 96,000
Olga Nikitovic	Management fees	b	\$ 60,000	\$ 60,000
Aird & Berlis	Legal fees	c	\$ 5,199	\$ 2,579

a) West Oak Capital Partners Inc. ("West Oak") is owned by R. B. Duncan, the Company's Executive Chairman of the Board and CEO. The fees paid to West Oak are included in management fees.

b) Olga Nikitovic is the CFO of the Company. The fees paid relate to financial management and accounting services and are classified as management fees.

c) Tom Fenton, Director and Corporate Secretary for the Company is a partner with Aird & Berlis LLP. Fees relate to legal services and are included in professional fees. Legal fees included in accounts payable at September 30, 2017 are \$Nil (2016: \$278).

Compensation of key management personnel

	Notes	Year ended September 30, 2017	Year ended September 30, 2016
Salaries	a	\$ 156,000	\$ 156,000
Share-based payments	b	-	113,549
Total		\$ 156,000	\$ 269,549

a) The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries include the fees for the Executive Chairman, CEO and CFO and are included in trading transactions above.

b) Share-based payments are the grant date fair value of options granted to key management and directors.

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12. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value. As at September 30, 2017 the Company had 43,449,750 common shares outstanding (September 30, 2016 : 43,449,750).

The Company did not enter into any capital stock transactions during the years ended September 30, 2017 and 2016.

Share purchase warrants

At September 30, 2017 and 2016, there were no warrants outstanding.

Stock options

The Company may grant stock options pursuant to a stock option plan (the “Plan”) which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. The options can be granted for a maximum of 10 years.

As at September 30, 2017, the following incentive stock options were outstanding:

Expiry Date	Exercise Price \$	Options Outstanding and Exercisable	
		Number of Options Outstanding and Exercisable	Weighted average remaining contractual life (years)
January 23, 2019	0.20	200,000	1.31
September 22, 2021	0.05	2,500,000	3.98
		2,700,000	3.78

The following is a summary of the stock option transactions for the years ended September 30, 2017 and 2016.

	2017		2016	
	Number Of Options	Weighted Average Exercise Price \$	Number Of Options	Weighted Average Exercise Price \$
Balance, beginning of the year	3,850,000	0.19	2,250,000	0.35
Options granted	-	-	2,500,000	0.05
Options expired	(1,150,000)	0.50	(900,000)	0.20
Balance, end of year	2,700,000	0.06	3,850,000	0.19

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12. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

The following weighted average assumptions were used for the Black-Scholes valuation of options granted for the years ended September 30, 2017 and 2016.

	2017	2016
Risk-free interest rate	-	0.68%
Expected life of options	-	5.0 years
Expected annualized volatility	-	150%
Expected dividend rate	-	0.00%

Stock-based compensation

There were no options granted during the year ended September 30, 2017 (2016 : 2,500,000). Share-based compensation for the year ended September 30, 2017 of \$Nil (2016 : \$113,549) has been charged to share-based compensation expense with a corresponding amount being recorded in the equity settled share-based payments reserve.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash financing and investing transactions for the years ended September 30, 2017 and 2016.

14. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 27% (2016 – 27%) were as follows:

	2017	2016
	\$	\$
Net loss before income taxes	(199,842)	(313,606)
Expected income tax (recovery) based on statutory rate	(53,500)	(84,000)
Adjustment to income tax benefit:		
Expenses not deductible for tax purposes and other	-	30,000
Change in benefit of tax assets not recognized	53,500	54,000
Deferred income tax (recovery)	-	-

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14. INCOME TAXES (Continued)

b) Deferred income tax

	2017	2016
	\$	\$
	<u> </u>	<u> </u>
<u>Unrecognized deductible temporary differences</u>		
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Mineral properties and exploration expenditures	2,850,000	2,850,000
Non capital loss carryforwards	987,000	787,000
Other temporary differences	50,000	50,000
Total	<u>3,887,000</u>	<u>3,687,000</u>

The tax losses expire from 2030 to 2037. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

15. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

16. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company entered into certain management contracts which contain clauses requiring additional payments of up to \$480,000 to be made upon the occurrence of certain events such as a change of control. As a trigger event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.