

## **CANADA COAL INC.**

### **Management Discussion and Analysis For The Nine Months Ended June 30, 2014**

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**August 9, 2014**

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended June 30, 2014 and 2013 and the audited consolidated financial statements for the years ended September 30, 2013 and 2012 and related notes included therein. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

### **Overview**

Canada Coal Inc. ("Canada Coal") is currently a junior resource mining company focussed on the acquisition and exploration of coal properties in Nunavut, Canada. The Company 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.

On November 4, 2011, the Company entered into an agreement with Mercury Capital Limited ("Mercury Capital") in respect to a proposed business combination to be effected by way of an amalgamation of the parties. Under the terms of the agreement, holders of common shares and other securities such as options and warrants of Canada Coal and Mercury Capital, received common shares and other securities of the resulting issuer on a one for one basis. The amalgamation constituted a qualifying transaction for Mercury Capital as defined in Policy 2.4 of the Exchange's Corporate Finance Manual.

The transaction was accounted for as a capital transaction with the original Canada Coal being identified as the acquirer. The resulting financial statements are presented as a continuance of the original Canada Coal.

Canada Coal Inc. was the resulting issuer from the amalgamation and upon completion of the transaction, was considered a Tier I mining issuer. The amalgamation was effective February 23, 2012 and the Company began trading on the TSX Venture Exchange on February 29, 2012.

The Company currently has no producing properties, and consequently no operating income. The Company is dependent on the equity markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding for its exploration expenditures and to meet its ongoing working capital requirements.

## Overall Performance

The Company incurred a net loss for the nine months ended June 30, 2014 of \$303,371 compared with a net loss of \$327,943 in the prior year. With the exception of share-based compensation and transfer agent and filing fees, all other recurring expense categories decreased.

The Company held a community consultation meeting in Grise Fiord in November 2013 to discuss its proposed Phase 2 coal exploration program. Representatives from Aboriginal Affairs and Northern Development ("AANDC") and Qikiqtani Inuit Association ("QIA") were also in attendance. Based on the results of the November meeting it was determined that further consultation was required with the Hamlet of Grise Fiord to adequately identify and address concerns. The Company agreed to withdraw its project application and delay its intended exploration program for 12 months so that a working group, comprised of the Company, the community of Grise Fiord, AANDC, QIA and other government agencies could be established to explore ways to progress the project whilst addressing the concerns of all stakeholders. A draft proposal for the consultation process has been prepared and several attempts have been made to present the proposal to the community of Grise Fiord however, weather and illness have impeded the ability of the whole working group to physically meet in Grise Fiord. Efforts are continuing to obtain approval of the process from the community of Grise Fiord so that the meetings and agenda for the next twelve months can be set. As a result of the delayed exploration program, the Company has been granted extensions to its existing coal licence expiry dates.

Based on reports submitted by the Company regarding its exploration expenditure levels in the years 2011 and 2012, a \$321,351 refund of previously paid annual licence fee deposits has been approved by AANDC. The Company has set up a receivable for this amount.

Given that the community consultation process in Grise Fiord will delay any future exploration on Ellesmere Island for at least another year, the Company is seeking new opportunities to enhance shareholder value.

The Company has been evaluating opportunities in the medical marijuana space with the focus of acquiring a company with Licensed Producer status under *Marijuana for Medical Purposes Regulations* ("MMPR") from Health Canada. The Company is still in an early stage of exploration into potential medical marijuana business opportunities and there can be no assurance that any such projects in the industry will be successfully completed, and as such, the time frame and costs associated with entering the medical marijuana field cannot be quantified at this time. The Company's board of directors has not authorized the Company to amend its principal business as the Company has not yet identified a viable medical marijuana business opportunity. Any future transaction to acquire a medical marijuana business will be subject to board of director, shareholder and regulatory approval including that of the TSX Venture Exchange.

Health Canada has stringent licensing requirements applicable to all entities that obtain a medical marijuana licence, including significant infrastructural requirements of attaining and maintaining a licence such as an indoor growing facility with physical barriers, visual monitoring, recording devices, intrusion detection, air filtration systems, as well as other important controls around distribution and access. Any facility meeting the rigorous licensing requirements is inspected by Health Canada before any licence can be granted. The timeframe between applying for a licence and being granted Licence Producer status is difficult to determine given the deluge of applications received by Health Canada and the anticipation that licensing requirements may change as Health Canada reacts to issues that arise in the industry. To mitigate these risks, Canada Coal is only reviewing target companies that have acquired their Licensed Producer status.

## Operating Activities

On September 15, 2010, the Company entered into an agreement with Weststar Resources Corp. ("Weststar") to purchase the outstanding capital of Weststar's wholly-owned subsidiary, Canadian Sovereign Coal Corp. ("CSCC"). CSCC's only asset was an 80% interest in nine coal exploration licences and eight coal exploration licence applications for approximately 585,397 acres of land located in Ellesmere Island, Nunavut. Weststar's 80% interest in the claims was acquired pursuant to a Letter of Intent dated March 18, 2009 between Hunter Exploration Group ("Hunter") and Weststar.

On September 20, 2010, the Company, Weststar and Hunter entered into an agreement whereby Weststar was released from any obligations or commitments under the original Letter of Intent dated March 18, 2009 and 100% interest in the coal licenses and licence applications was transferred to CSCC. Hunter retained a 2% royalty on the licences of which 1% can be purchased by the Company for \$1,000,000. Details of the consideration for the acquisition are outlined in the notes to the year-end consolidated financial statements.

On April 12, 2011, the Company entered into an agreement to purchase all of the issued and outstanding capital of 5200 Nunavut Ltd. ("5200") from arms length third party vendors. The only assets held by 5200 were interests in seven coal exploration licences representing approximately 157,753 acres of land located in Nunavut. The consideration for the acquisition is outlined in the notes to the year-end consolidated financial statements.

In 2011, the Company also applied for 51 additional coal exploration licences representing approximately 1,699,477 acres in Nunavut. These licenses were subsequently approved.

Canada Coal's acquired coal licences were located on Ellesmere Island and Axel Heiberg Islands, Nunavut Territory, Canada. The project consisted of 75 coal licences geographically distributed as nine discrete exploration areas occupying a total of 989,521 hectares. The licences are held by the Company's two wholly owned subsidiaries 5200 Nunavut Ltd. and Canadian Sovereign Coal Corp. The exploration areas consisted of: Fosheim Peninsula, Sor Fiord/Stenkul Fiord, Strathcona Fiord, Vesle Fiord/South Fosheim, May Point, Bache Peninsula, Li Fiord, Good Friday Bay and Mokka Fiord.

The area covered by the Company's coal licences has been the subject of previous exploration work conducted primarily between 1981-1983 by Gulf, Petro Canada and Utah. Fosheim Peninsula was the most widely explored area. Management does not believe that the previous exploration activity included any drilling. While the previous exploration activity resulted in various significant resource estimates, none of them were 43-101 compliant.

The Company acquired a digital elevation model (DEM) for the Fosheim Peninsula and Sor Fiord/Stenkul Fiord areas in September 2011 from PhotoSat of Vancouver, BC. Elevation grids (2.5m prisms) and contours (5/25/50/100) were produced from high resolution stereo satellite photos. The digital elevation mapping was utilized to assist with project planning.

The Company contracted DMT Geosciences Ltd. ("DMT") (formerly Associated Geosciences Ltd.), Calgary, Alberta, to prepare a 43-101 for the coal assets acquired. As part of the 43-101 process, DMT took samples during its on-site visit to Nunavut. The sample results confirm historic reports that the coals in the area covered by the Company's coal licenses range in rank from high volatile bituminous 'C' to lignite. The samples indicated coals that were generally low in ash (5-10%) and sulphur levels of <0.5%, although occasionally exhibit moderate ash values. The coals are considered to be suitable for use as a high quality thermal coal.

The completed 43-101 report is available on SEDAR. The Report indicated that there is coal present in sufficient quantity and quality to merit further evaluation through an aggressive work program. The Fosheim Peninsula was identified as a priority target for a proposed work program based on the level of historical exploration, the region's potential for higher rank coal occurrences, and the area's suitability for open-pit mining. The Report recommended a two phased exploration program. Phase I would be primarily focused on reconnaissance including mapping and sampling to delineate and prioritize targets.

## Operating Activities (Continued)

Phase 2 was contingent on the results of Phase I and would consist of a drilling program to move the project forward to defining 43-101 compliant coal resources if possible.

The Company completed the first round of community consultation in Nunavut during October 2011 and the second round in June 2012.

Also in June 2012, the Company received all its required permits to commence its Phase I exploration program. The work program focused on two main objectives: 1) detailed geologic mapping of the Eureka Sound Formation on Ellesmere Island, within licence blocks on Fosheim Peninsula, Bache Peninsula, Strathcona Fiord and Vesle Fiord, and 2) strategic sampling to determine rank and continuity of known and newly discovered coal zones.

The field exploration was performed over a 6 week period between June 16<sup>th</sup>, 2012 and July 30<sup>th</sup>, 2012. Personnel were positioned at Environment Canada's Eureka Weather Station and utilized helicopter support to access the project area. The crew included two teams of geologists, a geophysics team, a heritage team (consisting of a paleontologist and archaeologist), local guides, and aircraft personnel.

Sites for detailed geologic mapping and strategic sampling were assessed based on a priority ranking system established following several weeks of field prospecting. Priority ranking was based on continuity of an exposure, structural complexity of an area, and/or quality control sampling. Two geology teams assessed these sites along with a paleontologist, archaeologist, and local guide to mitigate adverse impacts to heritage resources and the environment. Integration of mapping and sampling results to create a detailed geological interpretation of the project area is ongoing.

Throughout the field program 39 of the Company's total coal exploration licence blocks were assessed including: 22 licence blocks on Fosheim Peninsula, 8 licence blocks on Bache Peninsula, 1 licence block on Strathcona Fiord, and 8 licence blocks on Vesle Fiord. Fosheim Peninsula was the primary exploration target.

Exploration of these licence blocks included collection at 135 sample locations with 285 individual samples taken in total. Upon completion of the field program, samples were delivered to Birtley Coal & Minerals Testing Division of Calgary, Alberta for testing. Results were classified according to ASTM Standards and range from subbituminous A coal to lignite B. The study identified extensive zones of low-sulphur, low-ash, subbituminous coal, suitable for use as thermal coal.

As a result of the mapping and sampling program, several prospective coal zones have been identified for further exploration. Type samples from each of the zones are listed in the table below.

Target Coal Zones with Surface Sample Highlights*										
Zone	Sample	Seam Thickness (m)	ADM% (adb)	RM% (adb)	ASH% (db)	VOL% (db)	FC% (db)	S% (db)	BTU/LB (db)	SG
1	2012-AGL-FN-003	7.8	6.82	8.76	5.25	41.20	53.55	0.26	11,530	1.38
	2012-AGL-FN-005	5.0	7.29	6.61	2.71	42.29	55.00	0.15	11,476	1.38
	2012-AGL-FN-001	3.1	13.38	7.59	4.26	39.30	56.44	0.29	11,930	1.35
2	2012-AGL-FN-121	3.3	10.83	5.29	3.98	40.96	55.07	0.25	11,809	1.38
	2012-AGL-FN-123	2.5	14.07	7.66	4.48	42.70	52.82	0.27	11,344	1.39
3	2012-AGL-FN-136	2.0	11.73	1.05	9.45	39.49	51.06	0.25	11,017	1.44
	2012-AGL-FN-138	2.4	11.32	3.69	6.59	40.18	53.24	0.25	11,635	1.42
4	2012-AGL-FN-217	3.0	19.16	3.30	11.46	35.54	53.00	0.32	10,927	1.42
	2012-AGL-FN-218	4.0	16.27	3.41	2.98	40.93	56.10	0.20	11,858	1.37
	2012-AGL-FN-211	3.3	18.81	4.52	5.99	37.65	56.35	0.32	11,666	1.39
<b>*Multiple seams are present in all locations. Selected samples reported here only, results are averaged per seam.</b>										

## Operating Activities (Continued)

Zone 1, located near the center of the Fosheim Peninsula area, consists of multiple gently-dipping coal seams including a 7.8 meter and a 5 meter seam along with several smaller seams exposed in a creek cut. Additional seams outcrop to the east and west of the zone. The zone has been traced over a 5 kilometer strike length and is suspected to extend further through a zone of tundra cover.

Zones 2 and 3 occur in the southern portion of the Fosheim Peninsula. Zone 2 is characterized by broad rolling hills exposing at least eight thin seams at surface (2-3 meters), and the Zone 3 is characterized by higher relief with continuous zones of coal exposed in creek cuts. Coal quality throughout both zones is consistently subbituminous A and additional seams at depth are likely to be encountered through drilling based on regional mapping. Zones 2 and 3 have been mapped over 6 and 5 kilometer strike lengths, respectively.

Zone 4 is located in the northern Fosheim Peninsula region, and is potentially a continuation of Zone 1. Surface exposures in the area are not abundant; however multiple seams on the order of 3-4 meters were evaluated along a creek cut. The Company intends to drill several wildcat holes in the area to evaluate the potential for additional coal at depth.

Secondary objectives achieved during the exploration program included geophysical studies and heritage assessments. Geophysical permafrost studies using ground penetrating radar and ground resistivity equipment were conducted on potential airstrip locales in preparation for future programs and heritage studies were conducted to assist with future project planning.

The Company also commissioned a logistics study to report on viable transport alternatives for future coal operations. The Ice and Marine Shipping Assessment conducted by Enfotec Technical Services is available on the Company's website. The focus of the report was to provide a preliminary ice study and analysis of marine accessibility of Ellesmere Island's West Fosheim Peninsula. The findings of the report in relation to ice conditions and possible shipping scenarios are in line with the Company's expectations. Shipping windows of 2, 3 and 6 months have been considered using Polar Class 3 vessels to transport up to 5.25 million tons per year. A more detailed shipping study, hydrographic surveying and port infrastructure analysis are required to gain a better understanding of the potential logistical alternatives.

The Company has retained Tetra Tech Wardrop Inc., to assist the Company in assessing options for arctic mining operations on its Nunavut Coal licences. Coal Water Slurry technology is being evaluated in order to assess the possible future use of the Company's high grade thermal coal deposits as an alternative energy source in Nunavut. These technologies have the potential to create a diesel-like product that can be easily transported and utilized in Nunavut. The Company will attempt to arrange meetings with government officials to discuss the opportunities for these technologies in Nunavut.

In August 2012, the Company applied for an additional 11 coal exploration licences within the Fosheim Peninsula region in key areas surrounding prospective exploration drill targets. The exploration licences were granted in April 2013.

In December 2012, the Company announced that it had filed an updated independent technical report for its Nunavut Coal Properties. The technical report, entitled "Updated Independent Technical Report, the Nunavut Coal Project" and dated November 26<sup>th</sup>, 2012 was prepared by DMT Geosciences Ltd. The report details the results of extensive 2012 mapping and sampling program. The report is available on the Company's website and highlights: high priority drill targets to further define coal deposits in Phase 2 program; multiple highly prospective coal zones in close proximity to tidewater; and consistently low sulphur and low ash, high quality thermal coal in samples.

In November 2012, the Company prepared and submitted the required permitting applications for a proposed Phase 2 work program. The application requested a permit for 80 drill holes including 30 primary drill holes, 37 secondary drill holes, and 14 wildcat holes with drilling of approximately 9,000 m of core. The Company's application was subject to a Nunavut Impact Review process. The Company received a number of public comment letters as a result of the process and has made significant effort to

## Operating Activities (Continued)

review and address the concerns raised. A water management plan and a heritage resource management plan have been prepared to address some of the concerns raised.

In July 2013, the Company held community consultations in Grise Fiord. The meeting focused on presenting the planned Phase 2 exploration program and to gather feedback to resolve concerns relating to water management, wildlife management, and preservation of heritage resources. The meeting was well attended but many of the local hunters were absent due to seasonal work. The Mayor requested a follow up meeting so that the hunters would have an opportunity to voice their concerns. A subsequent follow up session was held in Grise Fiord in November 2013 and representatives from Aboriginal Affairs and Northern Development ("AANDC") and Qikiqtani Inuit Association ("QIA") were also in attendance. Based on the results of the November meeting it was determined that further consultation was required with the Hamlet of Grise Fiord to adequately identify and address concerns. The Company agreed to withdraw its project application and delay its intended exploration program for 12 months so that a working group, comprised of the Company, the community of Grise Fiord, AANDC, QIA and other government agencies can be established to explore ways to progress the project whilst addressing the concerns of all stakeholders. The working group will meet regularly over a 12 month period. At the end of the 12 month period, it is anticipated that the Company will resubmit its project application incorporating revisions based on the findings from the joint working group. A draft proposal for the consultation process has been prepared. A meeting to present the process to the community of Grise Fiord was scheduled for March 2014. Representatives from the Company, QIA, Ministry of Environment and CanNor attempted to attend the meeting however due to high winds which made landing in Grise Fiord impossible, the trip was curtailed in Pond Inlet and the representatives had to turn back. Another meeting was scheduled for May 2014. A Canada Coal representative travelled to Iqaluit however due to the illness of certain work group members, travel to Grise Fiord was postponed. While in Iqaluit, the Company representative met with members of QIA and CanNor to further refine a draft of the terms of reference for the consultation process. The consultation process is called "Community Readiness Initiative" as it focuses on assessing the communities willingness and readiness to participate in major resource development opportunities. Its objective is to help establish issues, priorities, goals and strategies related to major resource developments, and Canada Coal's coal exploration program in particular. Efforts are underway to obtain Grise Fiord's approval of the Community Readiness Initiative terms of reference.

In May 2013, the Company applied for two coal licence areas near Pond Inlet on Baffin Island. The review process for these applications is still on-going.

Coal licences have a three year term. In June 2013, seven of the licence blocks held by the Company expired. The Company has submitted applications to reacquire the area covered by the expired licences and the review of these applications is still on-going. In July 2013, the Company was granted a one year extension on all of its existing coal licences except for those on Axel Heiberg. As a result of the extension, a previously paid licence fee of \$63,555 was approved for reimbursement. The Company applied for further extensions to accommodate the time required to complete the community consultation process and the extensions have been granted. The Company allowed twenty coal licences located in Axel Heiberg to expire as the costs to maintain the licences were too high given that exploration in the area was improbable.

The Company submitted Exploration Expenditure Work Reports for the years 2011 and 2012. Based on the level of expenditure in those years, the Company has been approved for a refund of previously paid annual licence fees amounting to \$321,351.

## Operating Activities (Continued)

The following table displays the expenditures incurred for the three and nine months ended June 30, 2014 and 2013.

	Three months ended June 30, 2014 \$	Three months ended June 30 2013 \$	Nine months ended June 30, 2014 \$	Nine months ended June 30, 2013 \$
Acquisitions				
Balance, beginning of period	251,050	280,022	251,050	280,022
Additions during the period	-	10,877	-	10,877
Acquisitions, end of period	251,050	290,899	251,050	290,899
Deferred exploration costs				
Balance, beginning of period	4,201,346	4,445,925	4,429,081	4,061,657
Recoveries	-	-	(327,351)	(905)
Geologists and consultants	505	39,779	44,964	326,361
Permitting	-	-	-	1,910
Community consultation	-	-	1,500	-
Licence and maintenance fees	-	-	-	63,555
Travel, meals and accommodation	4,761	11,855	53,617	36,596
Amortization	2,223	2,223	6,669	6,669
Administration and other expenses	-	1,203	355	5,142
Deferred Exploration expenditures for the period	7,489	55,060	(220,246)	439,328
Balance, end of period	4,208,835	4,500,985	4,208,835	4,500,985
Cumulative exploration and evaluation expenditures	4,459,885	4,791,884	4,459,885	4,791,884

Susan O'Donnell, B.Sc., P.Geol., of DMT Geosciences Ltd., is the qualified person for this project as defined by NI 43-101.

## Results of Operations

The results of operations reflect the overhead costs incurred for coal asset acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as asset acquisitions and exploration continues. As at June 30, 2014, the Company had not recorded any significant revenues from its projects.

The Company incurred a net loss for the three months ended June 30, 2014 of \$94,877 compared with a net loss of \$95,800 in the prior year. A breakdown of the expense categories is provided within the statement of loss and comprehensive loss in the unaudited condensed consolidated interim financial statements. Explanations for the significant variances in the expense categories are provided below:

- Management fees decreased by \$24,000 as Mr. Jonker resigned as CEO effective February 28, 2014.
- Consulting expenses decreased by \$20,750 primarily as a result of a reduction in the use of the services of the registered lobbyist.
- Professional fees decreased by \$5,168 due to a drop in legal fees due to decreased need for legal services.
- Share-based compensation increased by \$9,223 related to the grant of 200,000 options. There were no options granted in the same period in the prior year.
- Property/project investigation costs increased by \$11,424 as the Company investigated opportunities for entering into the medical marijuana industry. The Company did not incur any project opportunity costs in the same period in the prior year.

## Results of Operations (Continued)

- The Company recorded a deferred income tax recovery of \$30,948 in the three months ended June 30, 2013. There was no recovery recorded in 2014 as the Company made a decision to recognize specific expenditures previously deferred for tax purposes.

The Company incurred a net loss for the nine months ended June 30, 2014 of \$303,371 compared with a net loss of \$327,943 in the prior year. A breakdown of the expense categories is provided within the statement of loss and comprehensive loss in the unaudited condensed consolidated interim financial statements. Explanations for the significant variances in the expense categories are provided below:

- Consulting expenses decreased by \$42,977 primarily as a result of a reduction in the use of the services of the registered lobbyist. This decrease was partially offset by the use of a consultant to tour the operations of Store Norske, a coal mine in Norway operating at the same latitude as the Company's coal asset in Nunavut.
- Office, rent and miscellaneous expenses decreased by \$11,491 due to non renewal of industry memberships, and reductions in telephone, fax, D&O insurance fees and company portion of payroll remittances.
- Professional fees decreased by \$26,401 as a result of a \$18,240 reduction in audit and tax fees and a \$8,161 reduction in legal fees. The first nine months of fiscal 2013 included charges for the preparation of tax returns for the Company and its subsidiaries and a charge of \$3,660 to reflect the shortfall of the fiscal 2012 audit accrual. The audit and tax expense incurred in the first nine months of fiscal 2014 was negligible. Legal expenses decreased as the need for legal services declined.
- Shareholder communications and promotions decreased by \$4,942 as the Company reduced certain promotional activity and reduced website development and maintenance fees.
- Share-based compensation increased by \$10,713 related to the grant of 400,000 options. There were no options granted in the same period in the prior year.
- Property/project investigation costs decreased by \$29,675 compared to the prior year. The costs in 2014 related to the evaluation of medical marijuana opportunities and most of the due diligence was conducted by management. The property investigation costs in 2013 related to the evaluation of coal opportunities with the due diligence conducted by an external consulting firm.
- Investment income decreased by \$8,114 as a result of lower average cash balances.

Explanations for the decreases of \$32,000 in management fees and \$112,309 in deferred income tax recovery are the same as those provided in the three month variance analysis above.

## Summary of Quarterly Results

The following table sets out selected quarterly information for the time periods available. Net loss from operations and Net Loss are the same for all quarters shown.

<b>Three Months Ended</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
	\$	\$	\$	\$
Revenue (investment income)	4,671	4,918	5,595	6,054
Net Loss	94,877	121,546	86,948	142,029
Net Loss per common share	0.00	0.00	0.00	0.01
<b>Three Months Ended</b>	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>September 30, 2012</b>
	\$	\$	\$	\$
Revenue (investment income)	6,698	7,835	8,766	12,428
Net Loss	95,800	133,314	98,829	743,687
Net Loss per common share	0.00	0.00	0.00	0.01

## Liquidity and Capital Resources

The Company's cash position at June 30, 2014 was \$1,532,539 compared with a cash balance of \$1,883,776 at September 30, 2013.

At June 30, 2014 the Company had working capital of \$1,883,846 compared to a working capital balance of \$1,946,454 at September 30, 2013. For the nine months ended June 30, 2014, the Company utilized \$304,124 for operating activities and \$47,113 for exploration and evaluation expenditures.

The Company's cash balance at June 30, 2014 is more than sufficient to fund its general and administrative expenses and community consultation process for the twelve month period ended June 30, 2015. With cost savings that the Company has implemented, general and administrative expenses are estimated to be \$350,000 and community consultation is estimated to be \$200,000. The Company will need to raise additional cash to fund its Phase 2 work programs however that funding won't be required until 2015-2016, assuming the consultation process is successful and exploration permits are received.

There were no material credit facilities in place as at June 30, 2014.

Any commitments to pay cash or issue shares are disclosed in the notes to the consolidated financial statements.

## Related Party Transactions

For the nine months ended June 30, 2014, the Company entered into the following related party transactions:

- a) Incurred management fees of \$72,000 (2013: \$72,000) to West Oak Capital Partners Inc., a company controlled by R. B. Duncan, Executive Chairman of the Board. Mr. Duncan became interim CEO on February 28, 2014.
- b) Incurred management fees of \$40,000 (2013: \$72,000) to Abraham Jonker, former CEO of the Company. Mr. Jonker resigned as CEO effective February 28, 2014.
- c) Incurred management fees of \$45,000 (2013: \$45,000) to Olga Nikitovic (CFO).
- d) Incurred legal fees from Aird & Berlis LLP. Tom Fenton (Director and Corporate Secretary) is a partner with Aird & Berlis LLP. General corporate legal fees of \$8,605 (2013: \$15,630) are reflected as professional fees and \$11,424 (2013: \$Nil) being reflected in property/project investigation costs. Legal fees and expenses included in accounts payable at June 30, 2014 are \$1,200 (2013: \$7,521).
- e) Incurred rent costs of \$13,500 (2013: \$13,500) for shared office space with Evolving Gold Corp. The Company and Evolving Gold share one common officer and director.

The compensation for key management personnel is identified above in (a), (b) and (c). The Company does not pay any health or post employment benefits. The fair value of share based compensation granted to key management or directors for the nine months ended June 30, 2014 was \$10,713 (2013: \$Nil).

## Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

## Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

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

### *Assets' carrying values and impairment charges*

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

### *Capitalization of exploration and evaluation costs*

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

## **Critical Accounting Estimates (Continued)**

### *Impairment of exploration and evaluation assets*

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

### *Estimation of decommissioning and restoration costs and the timing of expenditure*

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

### *Income taxes and recoverability of potential deferred tax assets*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

### *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.

## Changes in Accounting Policies

### Current Accounting Changes

Please refer to Note 4 of the financial statements for a summary of current accounting policy changes.

We have adopted the new and amended IFRS pronouncements listed below as at October 1, 2013, in accordance with the transitional provisions outlined in the respective standards.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The adoption of IFRS 10 did not have a material impact the Company's financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint Arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The Company does not have any interests in joint operations or arrangements therefore the adoption of IFRS does not result in any change to the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") creates a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The adoption of IFRS 12 did not have a material impact on the Company's financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13") defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value. The adoption of IFRS 13 did not materially impact the Company's financial statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The adoption of IAS 28 did not have a material impact the Company's financial statements.

### 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 on or after October 1, 2013 or later periods.

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. Management is currently assessing the impact of this standard on its consolidated financial statements.

## Changes in Accounting Policies (Continued)

IAS 32 Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 36 Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of this standard on its consolidated financial statements.

## Financial Instruments

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the date of the statement of financial position, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the unaudited condensed consolidated interim statement of financial position approximate fair market value because of the limited term of these instruments. The Company's cash equivalents classified as held-for trading are carried at fair value. The fair value is determined by reference to observable inputs other than quoted prices in active markets for identical assets.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax and a refund of licence deposits 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

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations when they come due. The Company generates cash flow through its private placements in the equity markets. 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 general and administrative expenses and community consultation process for the next twelve months however it will require further cash to fund its Phase II planned work program. The proposed Phase II work program is not expected to be undertaken until late 2015 or 2016. While there are no assurances that the funds for the program can be raised, the Company believes that such financing will be available.

## **Financial Instruments (Continued)**

### 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 Company's functional and reporting currency is the Canadian dollar and major expenditures are transacted in Canadian dollars. The Company's exposure to foreign currency is minimal. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at June 30, 2014 would not have a significant impact on the Company's financial statements.

#### (c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices and equity prices. Commodity price risk is the potential adverse impact on the Company's earnings and value due to volatility in commodity price movements. Equity price risk is the potential adverse effect on the Company due to movements in individual equity prices or the stock market in general. The Company closely monitors commodity prices, individual equity movements and the stock market volatility to determine the appropriate course of action to be taken by the Company.

Commodity prices could adversely affect the Company's future profitability. Even though the Company is not currently a producer and is not expected to be for a number of years, commodity prices may affect the completion of future equity financings and therefore, the Company's liquidity.

#### (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.

## **Proposed Transactions**

The Company continues to review and assess possible transactions.

## **Contingencies**

The Company does not have any contingencies or commitments other than those disclosed in the notes to the unaudited condensed consolidated interim financial statements.

## **Subsequent Events**

There are no material subsequent events other than those disclosed in the notes to the unaudited condensed consolidated interim financial statements.

## **Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

## **Risks and Uncertainties**

The Company's financial condition, results of operation and business are subject to risks. The following are identified as the main risk factors:

### **Financing**

The Company is reliant upon equity financing in order to continue its operations because it is in the business of mineral exploration and does not derive any income from its mineral assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations and may lose its interests in its coal licences.

### **General Resource Exploration Risks and Competitive Conditions**

The resource exploration industry is an inherently risky business with large capital expenditures and volatile commodity markets. The marketability of any coal discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, costs to develop, infrastructure and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of coal licences as well for the engagement of qualified contractors. Coal prices can fluctuate widely, and they are determined in international markets over which the Company has no influence.

### **Governmental Regulation**

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's coal licences is affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, water use, land use, land claims of local people, restrictions on production, price control, tax increases, maintenance of claims and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, and contractors to ensure compliance with current laws.

### **Permits and Licenses**

The operations of the Company are subject to a numerous laws and regulations governing protection of the environment, protection of historic and archaeological sites, waste disposal, protection of endangered species and other matters. The Company is required to have a number of licenses and permits from various governmental authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration activities. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The cost of delays associated with obtaining permits or complying with the permits could halt, materially delay or restrict the Company from continuing or proceeding with existing or future operations

## **Disclosure Controls and Procedures**

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures ("DC&P") and Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with

## Disclosure Controls and Procedures (Continued)

the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Other MD&A Requirements

As at the date of this MD&A, the Company had 43,449,750 common shares issued and outstanding.

Stock options of the Company outstanding at the date of this MD&A were as follows:

Options	Exercise Price \$	Expiry Date
900,000	0.20	February 21, 2016
100,000	0.20	June 21, 2016
200,000	0.50	November 1, 2016
950,000	0.50	November 4, 2016
200,000	0.20	January 23, 2019
200,000	0.20	April 13, 2019
259,975	0.20	January 28, 2021
2,809,975		

Warrants of the Company outstanding at the date of this MD&A were as follows:

Warrants	Exercise Price \$	Expiry Date
4,902,000	0.80	November 4, 2014
4,902,000		

**CANADA COAL INC.**

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**CORPORATE DATA**

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**August 9, 2014**

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Richard Klue	Director
Tom Fenton	Director/Corporate Secretary
Michael England	Director
Olga Nikitovic	CFO

**INVESTOR CONTACTS**

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**CAPITALIZATION**

Authorized:	Unlimited
Issued:	43,449,750
Escrow:	2,850,000