

## **CANADA COAL INC.**

### **Management Discussion and Analysis For The Three and Six Months Ended March 31, 2015**

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**May 5, 2015**

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2015 and 2014 and the audited consolidated financial statements for the years ended September 30, 2014 and 2013 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" or the "Company") is currently a junior resource mining company focused 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 of \$38,201 for the six months ended March 31, 2015 compared with a net loss of \$208,494 for the same period in the prior year. The Company has reduced expenditures in all categories except property/project investigation costs and transfer agent and filing fees.

During the six months ended March 31, 2015, the Company investigated a number of prospective project opportunities. The Company is searching for projects which will increase shareholder value to offset delays in the advancement of the coal project due to ongoing community consultation requirements.

In November 2014, the Company entered into a non-binding letter of intent with Suntricity Corporation ("Suntricity") in respect of an arm's length transaction ("Transaction") which would constitute a reverse take-over of Canada Coal by Suntricity pursuant to TSX Venture Exchange Policy 5.2. It is intended that the Transaction would result in Suntricity becoming a wholly-owned subsidiary of the Resulting Issuer by way of a three cornered amalgamation whereby Suntricity would amalgamate with a newly incorporated wholly-owned subsidiary of Canada Coal and the holders of the shares of Suntricity would receive common shares of Canada Coal on a one for one basis.

The Transaction was subject to a number of conditions precedent including: completion of a private placement of a minimum of US\$5.0 million; the consolidation of Canada Coal stock on a 1 for 20 basis; a corporate name change; the cancellation of existing Canada Coal options; the resignation of current directors and officers of Canada Coal; and receipt of necessary regulatory and shareholder approvals.

As of early March 2015, Suntricity was not able to raise the required minimum financing of US\$5.0 million, therefore the Company decided not to proceed with the transaction.

The Company has applied for extensions on its Nunavut coal license expiry dates to accommodate the timing required for the community readiness assessment initiative. This initiative needs to be completed prior to the Company resuming its community consultation process regarding a Phase II exploration program.

## 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% could 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.

## Operating Activities (Continued)

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

## Operating Activities (Continued)

assessed these sites along with a paleontologist, archaeologist, and local guide to mitigate adverse impacts to heritage resources and the environment.

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

\*Multiple seams are present in all locations. Selected samples reported here only, results are averaged per seam.

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 was 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.

## Operating Activities (Continued)

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.

Tetra Tech Wardrop Inc., was retained to assist the Company in assessing options for arctic mining operations on its Nunavut Coal licences. Coal Water Slurry technology was 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.

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 review and address the concerns raised. A water management plan and a heritage resource management plan were 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 could be established to explore ways to progress the project whilst addressing the concerns of all stakeholders. The working group was to meet regularly over a 12 month period. At the end of the 12 month period, it was anticipated that the Company would resubmit its project application incorporating revisions based on the findings from the joint working group.

## Operating Activities (Continued)

A draft proposal for the consultation process was created. 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 was further delayed by staffing changes at the QIA.

Going forward, the consultation process will consist of two phases. In the first phase, a Community Readiness Assessment will be conducted. The Community Readiness Assessment will determine what kind of development the community would like to see and what resources they would need to benefit from this development. Once the Assessment is complete, Canada Coal will be able to consider the implications of the findings on its proposed work program and make modifications as required. As there are no guarantees that the Readiness Assessment will result in approval by the Hamlet of Grise Fiord of any future mineral exploration, the Company has written off its exploration and evaluation expenditures. The Company has applied for extensions on its license expiry dates to accommodate the timing required for the community readiness assessment initiative.

In May 2013, the Company applied for two coal licence areas near Pond Inlet on Baffin Island. As of September 2014, the applications had not been granted so the Company withdrew its applications and requested a refund of its application fee.

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. To-date, the applications are still outstanding. 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. In 2014, the Company applied for further extensions to accommodate the time required to complete the community consultation process and these extensions were 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 received a refund of previously paid annual licence fees amounting to \$321,351.

No exploration and evaluation expenditures were incurred for the three or six months ended March 31, 2015.

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 March 31, 2015, the Company had not recorded any significant revenues from its projects.

The Company had a net loss for the three months ended March 31, 2015 of \$52,306 compared with a net loss of \$121,546 in the same period in the prior year. Explanations for significant variances are provided below:

- A decrease of \$16,000 in management fees is attributable to the resignation of Braam Jonker as CEO effective February 28, 2014.
- A \$10,500 decrease in consulting fees is primarily attributable to the termination in the use of consulting services in the second quarter of fiscal 2015.
- A \$6,749 reduction in office, rent and miscellaneous expense is attributable to the termination of rent payments effective November 1, 2014.
- A \$32,316 reduction in deferred tax expense is attributable to an adjustment in the three months ended March 31, 2014 to reverse an entry from the first quarter of fiscal 2014.

The Company had a net loss for the six months ended March 31, 2015 of \$38,201 compared with a net loss of \$208,494 in the same period in the prior year. Explanations for significant variances are provided below:

- A decrease of \$40,000 in management fees is attributable to the resignation of Braam Jonker as CEO effective February 28, 2014.
- A \$22,023 decrease in consulting fees is primarily attributable to the termination in the use of consulting services. Consulting expense for the six months ended March 31, 2014 included a charge for the services 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. It also included services of a registered lobbyist to assist in understanding the political landscape for advancing the coal assets. Effective December 1, 2014, the Company terminated the services of a corporate development consulting company.
- A \$10,475 reduction in office, rent and miscellaneous expense is predominantly attributable to the termination of rent payments effective November 1, 2014.
- A \$15,535 decrease in shareholder communication and promotion is due to the inclusion in fiscal 2014 of the cost of the development of a corporate video currently available for viewing on the Company's website.
- An increase of \$36,041 in property/project investigation costs as the Company investigated a number of potential new projects.
- A decrease of \$16,199 in travel and accommodation as Company representatives did no travelling in the six months ended March 31, 2015. In the first two quarters of fiscal 2014, the Company incurred travel costs for a tour of operations of Store Norske.
- An increase of \$102,769 in deferred income tax recovery due to the tax effect from the expiry of warrants.

## 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>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>
	\$	\$	\$	\$
Revenue (investment income)	4,600	5,022	4,875	4,671
Net Loss (income)	52,306	(14,105)	4,077,456	94,877
Net Loss per common share	0.00	0.00	0.10	0.00
<b>Three Months Ended</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>	<b>June 30, 2013</b>
	\$	\$	\$	\$
Revenue (investment income)	4,918	5,595	6,054	6,698
Net Loss (income)	121,546	86,948	142,029	95,800
Net Loss per common share	0.00	0.00	0.01	0.00

## Liquidity and Capital Resources

The Company's cash position at March 31, 2015 was \$1,660,959 compared with a cash balance of \$1,781,371 at September 30, 2014.

At March 31, 2015 the Company had working capital of \$1,654,148 compared to a working capital balance of \$1,794,833 at September 30, 2014. For the six months ended March 31, 2015, the Company utilized \$120,412 for operating activities.

The Company's cash balance at March 31, 2015 is more than sufficient to fund its general and administrative expenses and if required, the community consultation process with Grise Fiord, for the twelve month period ended March 31, 2016. With cost savings that the Company has implemented, general and administrative expenses are estimated to be \$300,000 and community consultation is estimated to be \$200,000.

There were no material credit facilities in place as at March 31, 2015.

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

## Related Party Transactions

For the six months ended March 31, 2015, the Company entered into the following related party transactions:

- a) Incurred management fees of \$48,000 (2014: \$48,000) 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 \$Nil (2014: \$40,000) to Abraham Jonker, former CEO of the Company. Mr. Jonker resigned as CEO effective February 28, 2014.
- c) Incurred management fees of \$30,000 (2014: \$30,000) to Olga Nikitovic (CFO).
- d) Incurred legal fees of \$3,649 (2014: \$4,179) from Aird & Berlis LLP. Tom Fenton (Director and Corporate Secretary) is a partner with Aird & Berlis LLP.
- e) Incurred rent costs of \$1,500 (2014: \$9,000) 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. There was no share based compensation granted to key management or directors for the six months ended March 31, 2015. Share based compensation granted to a director in the six months ended March 31, 2014 was valued at \$1,490.

## 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.

### *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

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

### *Income taxes and recoverability of potential deferred tax assets (Continued)*

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**

The Company has adopted the new and amended IFRS pronouncements listed below as at October 1, 2014, in accordance with the transitional provisions outlined in the respective standards. The adoption of these standards did not materially impact the Company's consolidated financial statements.

IFRS 2 Share-based Payment ("IFRS 2") was amended to clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service.

IFRS 13 Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

IAS 24 Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

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.

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.

## **Adoption of new and amended IFRS pronouncements (Continued)**

### **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, 2014 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. The Company is currently assessing the impact of this standard on its consolidated 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. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

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. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 27 Separate Financial Statements ("IAS 27") was amended in August 2014 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

### **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 consolidated 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.

## Financial Instruments (Continued)

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. If the outcome of the Community Readiness Assessment and community consultation process is favourable, and the Company's Phase II planned work program is allowed to proceed, further cash will be required to fund the work. The proposed Phase II work program is not expected to be undertaken until at least 2016. While there are no assurances that the funds for the program can be raised, the Company believes that such financing will be available.

### 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 March 31, 2015 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 condensed consolidated interim financial statements.

## **Subsequent Events**

There are no material subsequent events other than those disclosed in the notes to the 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 fluctuated 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.

## Risks and Uncertainties (Continued)

### 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 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
200,000	0.20	May 18, 2015
900,000	0.20	February 21, 2016
200,000	0.50	November 1, 2016
950,000	0.50	November 4, 2016
200,000	0.20	January 23, 2019
2,450,000		

There are no warrants of the Company outstanding at the date of this MD&A.

**CANADA COAL INC.**

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**CORPORATE DATA**

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**May 5, 2015**

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**DIRECTORS AND OFFICERS**

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Richard Klue	Director
Tom Fenton	Director/Corporate Secretary
Ian Smith	Director
Olga Nikitovic	CFO

**INVESTOR CONTACTS**

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**CAPITALIZATION**

Authorized:	Unlimited
Issued:	43,449,750