

## **CANADA COAL INC.**

### **Management Discussion and Analysis For The Year Ended September 30, 2018**

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**October 29, 2018**

The following discussion and analysis should be read in conjunction with audited consolidated financial statements for the years ended September 30, 2018 and 2017 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. 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 to meet its ongoing capital requirements.

## Overall Performance

The Company incurred a net loss of \$272,773 for the year ended September 30, 2018 compared with net loss of \$199,842 in the prior year. The increase is mainly attributable to the cost of implementing the common stock consolidation on a two old for one new basis and the due diligence costs related to a proposed business combination.

In November 2017, the Company announced its intention to complete a two for one consolidation of its common shares. The consolidation was effective on December 11, 2017.

Also in November 2017, the Company signed a non-binding Letter of Intent (“LOI”) with Potash Ridge Corporation to potentially purchase, joint venture or otherwise complete such other form of transaction of Potash Ridge’s Valleyfield asset that may be mutually acceptable to the parties for one of their assets. The LOI contained no proposed terms or compensation for any potential transaction between the two parties. The LOI provided for a 90-day period of exclusivity, which allowed both parties to exchange information and maintain confidentiality as each party sought to determine whether mutually beneficial business opportunities existed.

In January 2018, the Company completed a private placement in which it issued 10 million units at \$0.07 per unit for gross proceeds of \$700,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable for 3 years at \$0.20 per underlying common share. Finders’ fees of \$4,830 were paid.

On May 31, 2018, the Company announced that despite best efforts, Canada Coal and Potash Ridge were not able to reach definitive terms in connection with a proposed transaction as Potash Ridge’s Valleyfield asset was secured by a third party lender. Accordingly both companies allowed the LOI to expire.

On July 27, 2018, the Company announced that it had entered into an arm’s-length non-binding letter of intent (“LOI”) dated July 24, 2018, in respect of a proposed business combination (the “Business Combination”) that would result, if completed, in the takeover of Canada Coal by Medcolcanna (formerly Geberi, Ltd.). The LOI provided that Canada Coal and Medcolcanna would negotiate in good faith and attempt to enter into a definitive agreement in respect of the Business Combination on or before September 15, 2018. In connection with the LOI, Canada Coal paid Medcolcanna US\$25,000 for the exclusivity rights to the Business Combination.

On October 18, 2018, the Company announced that discussions with Medcolcanna BVI terminated. Although the original Letter of Intent between the two parties for a proposed business combination indicated that a definitive agreement needed to be signed by September 15, 2018, delays on the part of Medcolcanna BVI made that deadline impossible; however, both parties continued to work together on other deliverables including a draft management information circular which was provided to Medcolcanna BVI on October 10, 2018.

In the afternoon of Thursday October 11<sup>th</sup>, 2018, legal counsel for GMP Securities, LP contacted our legal counsel to set out new terms for the definitive agreement, significantly different than the terms set out in the LOI, and to indicate that the definitive agreement would need to be signed in the morning of October 12, 2018. Prior to the notification by GMP Securities, Canada Coal had expressed concerns that arose from its due diligence process related to the suitability of management of Medcolcanna. The specific due diligence questions related to these concerns were forwarded to the appropriate parties; however, as responses to the questions were not received by the arbitrary deadline imposed by Medcolcanna to sign the definitive agreement on October 12, 2018, Medcolcanna informed Canada Coal that it had decided to terminate any further discussions in connection with the planned Business Combination.

Canada Coal is reviewing its options which may include legal action against Medcolcanna BVI for acting in bad faith and attempting to recover costs incurred for this transaction by Canada Coal while acting in good faith.

## Operating Activities

As discussed above, the Company's activities during 2018 have been the evaluation of business opportunities to increase shareholder value.

## Selected Annual Information

### Financial Information

	2018	2017	2016
	\$	\$	\$
Revenue (interest income)	11,976	9,593	10,823
Loss before other items for the year	284,749	209,435	324,339
Loss before other items per common share, basic and diluted	0.01	0.01	0.01
Net loss for the year	272,773	199,842	313,606
Net loss per common share, basic and diluted	0.01	0.01	0.01
Weighted average number of common shares outstanding, basic and diluted	28,574,190	21,724,875	21,724,875
<b>Statement of financial position</b>			
Working capital	1,569,757	1,159,074	1,358,916
Total assets	1,607,366	1,178,093	1,381,238
Long-term debt	Nil	Nil	Nil

## Results of Operations

The results of operations reflect the overhead costs incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, operation and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity. As at September 30, 2018, the Company had not recorded any significant revenues.

The Company incurred a net loss for the year ended September 30, 2018 of \$272,773 compared with a loss of \$199,842 in the prior year. The variances in the expense categories are provided below:

Management fees \$156,000 (2017 - \$156,000; 2016 - \$156,000)

There has been no change in management fees for the last three years.

Office, rent and miscellaneous \$14,291 (2017 - \$14,210; 2016 - \$14,837)

Office, rent and miscellaneous costs have remained relatively stable for the last three years.

Professional fees \$25,212 (2017 - \$18,729; 2016 - \$19,104)

Professional fees consist of legal and audit fees. The increase in fiscal 2018 relates to higher legal fees associated with the implementation of the common stock consolidation.

Shareholder communications and promotion \$1,498 (2017 - \$3,339; 2016 - \$1,074)

The shareholder communications and promotions has remained relatively low over the last three years.

## Results of Operations (Continued)

Share-based compensation \$Nil (2017- \$Nil; 2016 - \$113,540)

During fiscal 2016, 2,500,000 options were granted to directors and officers. No options were granted in fiscal 2018 or fiscal 2017.

Opportunity (Property) investigation costs \$66,439 (2017 - \$Nil; 2016 - \$2,700)

Opportunity investigation costs in the last few years have not been significant as the review and analysis has been carried out by Company management. Costs in fiscal 2018 include legal fees for due diligence and the preparation of an information circular and the exclusivity fee paid to Medcolcanna.

Transfer agent and filing fees \$21,309 (2017 - \$17,157; 2016 - \$17,075)

Transfer agent and filing fees increased in fiscal 2018 due to costs related to the implementation of the common stock consolidation. This increase was offset by the reduction in transfer agent fees related to the Annual General Meeting (AGM). The fiscal 2018 AGM was delayed due to the anticipated need for an AGM related to the proposed transaction.

Investment income \$11,976 (2017 - \$9,593; 2016 - \$10,823)

Investment income is directly proportional to interest rates and the average cash balances in each of the fiscal years.

Write off of exploration and evaluation expenditures \$Nil (2017 - \$Nil; 2016 - \$90)

In fiscal 2015, the Company requested a refund of application fees which had previously been written off in fiscal 2014. All but \$90 of the refund requested was received in fiscal 2016.

## 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>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	\$	\$	\$	\$
Revenue - investment income	3,493	2,998	2,818	2,667
Net Loss	126,296	42,476	51,329	52,672
Net Loss per common share	0.01	0.00	0.00	0.00
<b>Three Months Ended</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$	\$	\$
Revenue - investment income	2,427	2,299	2,361	2,506
Net Loss	58,875	54,931	41,127	44,909
Net Loss per common share	0.01	0.00	0.00	0.00

The loss for the three months ended September 30, 2018 is \$126,296 compared with a loss of \$58,875 in the same period in the prior year. The increased loss is predominantly attributable to the \$66,439 of opportunity investigation costs incurred on the proposed Medcolcanna transaction.

## Capital Resources

The Company's cash position at September 30, 2018 was \$1,596,128 compared with a cash balance of \$1,170,111 at September 30, 2017.

At September 30, 2018, the Company had working capital of \$1,569,757 compared to a working capital balance of \$1,159,074 at September 30, 2017. For the year ended September 30, 2018, the Company utilized \$257,439 for operating activities and received proceeds of \$683,456 from a private placement, net of issue costs.

In January 2018, the Company completed a private placement in which it issued 10 million units at \$0.07 per unit for gross proceeds of \$700,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable for 3 years at \$0.20 per underlying common share. Finders' fees of \$4,830 were paid.

The Company's cash balance at September 30, 2018 is more than sufficient to fund its general and administrative expenses for the next twelve month period. Annual general and administrative expenses are estimated to be \$200,000.

There were no material credit facilities in place as at September 30, 2018.

As at September 30, 2018, there are no commitments to pay cash or issue shares.

## Related Party Transactions

For the year ended September 30, 2018, the Company entered into the following related party transactions:

- a) Incurred management fees of \$96,000 (2017: \$96,000) to West Oak Capital Partners Inc., a company controlled by R. B. Duncan, Executive Chairman of the Board and CEO.
- b) Incurred management fees of \$60,000 (2017: \$60,000) to Olga Nikitovic (CFO).
- c) Incurred legal fees of \$40,059 (2017: \$5,199) from Aird & Berlis LLP. Fees of \$10,512 (2017: \$5,199) are included in professional fees, fees of \$7,376 (2017: \$Nil) are included in share issue costs and fees of \$22,171 (2017: \$Nil) are included in opportunity investigation costs. Legal fees included in accounts payable at September 30, 2018 are \$11,616 (2017: \$Nil). Tom Fenton (Director and Corporate Secretary) is a partner with Aird & Berlis LLP.

The compensation for key management personnel is identified above in (a) and (b). The Company does not pay any health or post-employment benefits.

## Off Balance Sheet Arrangements

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

## Critical 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.

## **Critical Estimates (Continued)**

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

### *Income, value added, withholding and other taxes*

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

### *Share-based Payments*

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

## **Changes in Accounting Policies**

### **Adoption of new and amended IFRS pronouncements**

The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2017. These changes were made in accordance with the applicable transitional provisions. The adoption of these standards did not have a material impact on the Company's financial statements.

IAS 7 Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

### **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, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2018, introduces new requirements for the classification and measurement of financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

## 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.

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 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 for the next twelve months.

### Market risk

#### (a) Interest rate risk

The Company has cash balances 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 September 30, 2018 would not have a significant impact on the Company's financial statements.

#### (c) Equity price risk

The Company is exposed to price risk with respect to equity prices. 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 individual equity movements and the stock market volatility to determine the appropriate course of action to be taken by the Company.

#### (d) Sensitivity analysis

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

## **Subsequent Events**

There are no material subsequent events other than those described in the subsequent event note to the consolidated 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. 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.

## **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 31,724,875 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
100,000	0.40	January 23, 2019
1,250,000	0.10	September 22, 2021
1,350,000		

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

Warrants	Exercise Price \$	Expiry Date
5,000,000	0.20	January 23, 2021

**CANADA COAL INC.**

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**CORPORATE DATA**

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**October 29, 2018**

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Tom Fenton	Director/Corporate Secretary
Ian Smith	Director
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**CAPITALIZATION**

Authorized:	Unlimited
Issued:	31,724,875