Mercury Capital Limited
(A Capital Pool Company)

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(unaudited)

For the Three and Nine Months Ended September 30, 2011

Management’s Responsibility for Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Mercury Capital Limited. (the “Company” or “Mercury”) are the responsibility of management.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity’s auditor.

Mercury Capital Limited
(A Capital Pool Company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
As at
(unaudited)

	September 30, 2011	December 31, 2010 (Note 10)
Assets		
Current		
Cash (Note 3)	**$ 395,112**	$ 73,956
Other receivables	**9,849**	3,620
	404,961	77,576
Deferred share issuance costs	**-**	60,810
	$ 404,961	$ 138,386
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 7,108**	$ 45,186
Shareholders' Equity		
Capital stock (Note 4)	**406,921**	100,000
Contributed surplus	**67,670**	-
Deficit	**(76,738)**	(6,800)
	397,853	93,200
	$ 404,961	$ 138,386

Nature of Operations (Note 1)

See accompanying notes

Mercury Capital Limited
(A Capital Pool Company)
Condensed Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

		For the Nine Months Ended September 30, 2011		For the Three Months Ended September 30, 2011
Expenses				
Accounting fees	**$**	**10,475**	$	3,841
Legal fees		**12,213**		3,133
Listing fees		**723**		-
Stock based compensation (Note 5)		**46,527**		-
Net loss for the period	**$**	**(69,938)**	$	(6,974)
Loss per share, basic and diluted (Note 6)	**$**	**(0.04)**	$	-

See accompanying notes

Mercury Capital Limited
(A Capital Pool Company)
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
For the Nine Months Ending
(unaudited)

	Share Capital		Contributed		
	Shares	**Amount**	**Surplus**	**Deficit**	**Total**
Balance, July 22, 2010					
Issuance of common shares	1,000,000	$ 100,000	$ -	$ -	$ 100,000
Net loss and comprehensive loss for the period	-	-	-	(6,800)	(6,800)
Balance, December 31, 2010	**1,000,000**	**100,000**	**-**	**(6,800)**	**93,200**
Issuance of common shares	2,349,750	306,921	21,143	-	328,064
Stock based compensation	-	-	46,527	-	46,527
Net loss and comprehensive loss for the period	-	-	-	(69,938)	(69,938)
Balance, September 30, 2011	**3,349,750**	**406,921**	**67,670**	**(76,738)**	**397,853**

Mercury Capital Limited
(A Capital Pool Company)
Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(unaudited)

	For the Nine Months Ended September 30, 2011
Cash provided by (used in)	
Operations	
Loss	$ (69,938)
Items not affecting cash	
Stock based compensation	46,527
	(23,411)
Net changes in non-cash working capital	
Accounts payable and accrued liabilities	(38,078)
Other receivables	(6,229)
	(67,718)
Financing	
Issuance of common shares (Note 4)	388,874
Net change in cash	321,156
Cash, beginning of period	73,956
Cash, end of period	$ 395,112

See accompanying notes

1. NATURE OF OPERATIONS

Mercury Capital Limited (the "Company") is a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange (the "Exchange") that has not commenced commercial operations and has no assets other than a minimum amount of cash. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as such term is defined under the policies of the Exchange). The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporation Act (Ontario) on July 22, 2010 and maintains its head office at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

The Company's financial year ends on December 31.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, in which event the Exchange may suspend or delist the Company's shares from trading.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2011, as they follow the same accounting policies and methods of application, unless otherwise indicated.

These unaudited condensed interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on December 31, 2011, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended December 31, 2011.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

These unaudited condensed interim financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash

Cash includes cash on hand with a Canadian chartered bank and funds held in trust with the Company's corporate counsel.

Stock Based Compensation

The Company accounts for stock based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black Scholes option pricing model, and stock based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight line basis over the vesting periods. The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service and non-market vesting conditions are net. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Loss Per Share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations. The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recorded in the financial statements if realization is considered probable.

Deferred Share Issuance Costs

These costs relate directly to the proposed issuance of shares by the Company pursuant to the initial public offering described in Note 4. Upon completion of the initial public offering, the costs were charged against capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Use of Estimates

The preparation of financial statements in conformity with IFRS principles 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 amount of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates made include valuation of stock based compensation.

Financial Instruments

All financial instruments are measured based on the classification adopted for the financial instrument: fair value through profit and loss ("FVTPL"), held to maturity, loans and receivables, available for sale or other liability.

Financial Assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL which are initially measured at fair value.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	FVTPL
Other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

The Company's financial instruments measured at fair value on the balance sheet consist of cash. Cash is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 9 Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39Financial Instruments: Recognition and Measurement (“IAS 39”). 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 39for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(b) IFRS 10 ‘Consolidated Financial Statements’ – effective for annual periods beginning on or after January 1,2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

(c) IFRS 11 Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers.IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

(d) IFRS 12 ‘Disclosure of Interests in Other Entities’ - effective for annual periods beginning on or after January1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recent Accounting Pronouncements (Cont'd)

(e) IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. CASH RESTRICTION

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until Completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

4. CAPITAL STOCK

		September 30, 2011	December 31, 2010
Authorized			
unlimited common shares			
Issued			
1,000,000	common shares[(a)]	**$ 100,000**	$ 100,000
1,599,750	common shares[(b)]	**182,607**	-
750,000	common shares[(c)]	**124,314**	-
		$ 406,921	$ 100,000

(a) The 1,000,000 issued common shares of the Company are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed common shares will be released (the "Initial Release") from escrow on the issuance of the Final Exchange Bulletin, as defined under the policies of the Exchange, and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. However, the release of the escrowed common shares will be accelerated if the Company meets the Exchange Tier 1 initial listing requirements.

4. CAPITAL STOCK (Cont'd)

(b) On January 28, 2011, the Company completed its initial public offering by issuing 1,599,750 common shares at a price of $0.20 per share for a gross proceeds of $319,950.

Hampton Securities Limited ("Hampton") acted as lead agent for the initial public offering. In connection with the offering, the Company granted Hampton, and its sub-agents, options to acquire 159,975 common shares at a price of $0.20 per share. The options may be exercised for a period of 24 months from the date of listing of the common shares on the Exchange (see Note 5).

At the closing of the initial public offering, the Company also granted incentive stock options to its six officers and directors to acquire a total of 259,975 common shares. The options may be exercised for a period of ten years at a price of $0.20 per share (see Note 5).

(c) On May 4, 2011, the Company completed a private placement by issuing 750,000 common shares at a price of $0.20 per share for a gross proceeds of $150,000.

In connection with the offering, the Company granted Hampton warrants to acquire 25,000 common shares at a price of $0.20 per share. The options may be exercised until May 4, 2013 (see Note 5).

5. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The policies of the Exchange and the stock option plan of the Company established by the directors of the Company on September 30, 2010 (the "Stock Option Plan"), provide that the board of directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers and employees of the Company as well as Management Company Employees and Consultants (as such terms are defined in the Exchange's Corporate Finance Manual Policy 4.4 as amended from time to time), non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten (10) years from the date of the grant. The number of common shares reserved for issuance to any individual director or officer of the Company will not exceed 5% of the issued and outstanding common shares (2% in the case of all optionees providing investor relations services to the Company and 2% in the case of all technical consultants of the Company).

(Expressed in Canadian Dollars)

5. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The exercise price of any option granted pursuant to the Stock Option Plan shall be determined by the board of directors when granted, but shall not be less than the Discounted Market Price (as such term is defined by the Exchange). Notwithstanding the foregoing, until Completion of the Qualifying Transaction the exercise price shall not be less than the greater of $0.20 and the Discounted Market Price. The options granted pursuant to the Stock Option Plan are non-assignable, except by means of a will or pursuant to the laws of descent and distribution. If the tenure of a director or officer or the employment of an employee of the Company is terminated for cause, no option held by such optionee may be exercised following the date upon which termination occurred. If termination occurs for any reason other than cause, then any option held by such optionee, that has vested, shall be exercisable, in whole or in part, for a period not later than one (1) year thereafter or prior to the expiry date of the option, whichever is sooner, or such shorter period of time as may be determined by the directors when the option is granted.

Notwithstanding anything to the contrary in the Stock Option Plan, any Options granted prior to the issuance of the Final Exchange Bulletin must comply with the CPC Policy, including, without limitation the restriction from granting options prior to the completion of the Qualifying Transaction to optionees providing investor relations services to the Company.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

At the closing of the initial public offering, the Company granted 259,975 options to directors and officers to purchase common shares. The options are exercisable at $0.20 per share and expire on January 28, 2021. The options vested immediately. The fair value of each option granted has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100% based on analysis of historical trading data of companies similar the the Company; (iii) risk-free interest rate of 1.57%; (iv) expected life of 10.0 years and (v) share price $0.20. The fair market value was determined to be $46,527 and was charged against stock based compensation for the period. The Company has assumed no forfeiture rate. The weighted average grant date fair value of option is $0.18.

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted average exercise price
Balance, July 22, 2010 and December 31, 2010		
Granted to Agent[(i)]	**159,975**	**0.20**
Granted to directors and officers	**259,975**	**0.20**
Balance, September 30, 2011	**419,950**	**0.20**

(Expressed in Canadian Dollars)

5. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The following table reflects the actual stock options issued and outstanding as of September 30, 2011:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
February 2, 2013	**$0.20**	**1.59**	**159,975**	**159,975**	**-**
January 28, 2021	**$0.20**	**9.58**	**259,975**	**259,975**	**-**

(i) On January 28, 2011, the Company granted 159,975 options to two agents to purchase common shares pursuant to option agreements. The options are exercisable at $0.20 per share and expire on February 2, 2013. The options vested immediately. The fair value of each option granted has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100% based on analysis of historical trading data of companies similar to the Company; (iii) risk-free interest rate of 1.57%; (iv) expected life of 2 years and (v) share price $0.20. The fair market value was determined to be $16,894 and was charged against capital stock for the period. The Company has assumed no forfeiture rate. The weighted average grant date fair value of option is $0.11. The options were not granted pursuant to the Stock Option Plan.

(b) Warrants

On May 4, 2011, the Company granted 25,000 broker warrants to an agent to purchase common shares. The broker warrants are exercisable at $0.20 per share and expire on May 4, 2013. The broker warrants vested immediately. The fair value of each warrant granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100% based on analysis of historical trading data of companies similar to the Company; (iii) risk-free interest rate of 1.66%; (iv) expected life of 2 years and (v) share price $0.28. The fair market value was determined to be $4,249 and was charged against capital stock for the period. The weighted average grant date fair value of the warrant is $0.17.

The following table reflects the actual warrants issued and outstanding as of September 30, 2011:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life	Number of Warrants Outstanding	Number of Warrants Vested (Exercisable)	Number of Warrants Unvested
May 4, 2013	**$0.20**	**1.83**	**25,000**	**25,000**	**-**

6. LOSS PER SHARE

Loss per share for the three and nine months ended September 30, 2011 have been calculated based on the weighted average number of shares outstanding of 2,069,530 and 1,588,463, respectively. Outstanding options were not included in the computation of diluted loss per share as they are anti-dilutive. The 1,000,000 shares issued in fiscal 2010 were contingently issuable and all the conditions necessary for their issuance have not been satisfied as at period end, therefore not included in the above calculations.

7. CAPITAL RISK MANAGEMENT

The Company includes equity, comprised of issued common shares and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 3.

8. RELATED PARTY TRANSACTION

Transactions with related parties are incurred in the normal course of the business and are measured at the exchange amounts which are the amounts of consideration established and approved by the related parties.

Legal fees, including disbursements, of $12,251 is included in share capital and has been paid to a law firm in which two directors of the Company are partners.

9. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's financial instruments, consisting of cash and accounts payable and accrued liabilities, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at September 30, 2011, the Company has accounts payable and accrued liabilities of $7,108 due within 12 months and has cash of $395,112. As a result the Company has minimal liquidity risk.

10. CONVERSION TO IFRS

The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the three and nine months ended September 30, 2011 and in the preparation of an opening IFRS balance sheet at July 22, 2010 (the Company's date of incorporation). No comparative information is presented in these unaudited condensed interim financial statements as the Company was incorporated on July 22, 2010. Accordingly, there are no statements of loss and comprehensive loss, changes in equity and cash flows for the period ended September 30, 2010.

First-time Adoption of IFRS

The Company did not use the exemptions listed in IFRS 1. As management had anticipated, given the business of the Company as a Capital Pool Company and given the limited number of transactions that the Company has entered into since incorporation, the impact on the adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Company to date have been, and will continue to be prior to the consummation of a Qualifying Transaction, the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

Presentation

Certain amounts on the unaudited condensed statement of financial position, statement of loss and comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

11. QUALIFYING TRANSACTION

On July 7, 2011 the Company announced that it had executed an agreement with Canada Coal Inc. ("Canada Coal") in respect to a proposed business combination to be effected by way of amalgamation of the parties which is expected to constitute the Company's Qualifying Transaction. The amalgamation is subject to shareholder approval from both companies as well as Exchange approval. Canada Coal is a junior exploration and development company involved (through two wholly owned subsidiaries) in the acquisition, exploration and development of coal properties in Nunavut. It is anticipated that upon completion of the amalgamation, the Resulting Issuer (as defined in Policy 2.4) will be considered a Tier 2 (the Company originally announced on July 7, 2011 and disclosed in its MD&A for the quarter ended June 30, 2011 ("Q2 MD&A") that the Resulting Issuer would be Tier 1) Mining Issuer (as defined in Policy 2.1 of the Exchange).

The terms of the proposed financing originally announced on July 7, 2011 and disclosed in the Q2 MD&A have changed due to market conditions. On or prior to the closing of the amalgamation, Canada Coal now intends to complete a brokered private placement, through Casimir Capital Ltd., of subscription receipts (exchangeable for units of the Resulting Issuer) at $0.50 per subscription receipt and flow-through units at $0.50 per flow-through units for aggregate gross proceeds of $4,300,000. The terms of the proposed financing may change in accordance with market conditions and the further agreement of the Company.

After completion of the amalgamation and assuming the completion of the proposed financing (on the terms described herein), an aggregate of 43,449,750 common shares of the Resulting Issuer will be issued and outstanding. The shareholders of the Company would own 3,349,750 million common shares or 7.71% (based on the terms of the originally proposed financing disclosed in the Q2 MD&A this percentage was 4.63%) of the issued and outstanding common shares of the Resulting Issuer while the pre-amalgamation shareholders of Canada Coal will own 31,500,000 common shares or 72.50 (based on the terms of the originally proposed financing disclosed in the Q2 MD&A this percentage was 43.54%) of the issued and outstanding common shares of the Resulting Issuer.

The amalgamation constitutes an arm's-length transaction according to the policies of the Exchange.

The obligations of both parties to complete the amalgamation and related transactions are subject to the satisfaction of the usual conditions, including, among others, the satisfaction of both parties with regard to their due diligence reviews, all necessary approvals to enable the amalgamation to be carried out having been obtained from the Exchange, approval from the shareholders of the Company and Canada Coal, and all other regulatory authorities and third parties having jurisdiction.