Canada Coal Inc. (formerly Mercury Capital Limited)

(A Capital Pool Company)

Management’s Discussion and Analysis

For the year ended December 31, 2011

CANADA COAL INC. (FORMERLY MERCURY CAPITAL LIMITED)
(A Capital Pool Company)

Management Discussion and Analysis
For The Year Ended December 31, 2011

April 26, 2012

The following discussion and analysis should be read in conjunction with the audited financial statements for the year ended December 31, 2011 and the period from incorporation (July 22, 2010) to December 31, 2010 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.

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.

The forward looking statements contained in the document and documents incorporated by reference are expressly qualified by this cautionary statement. Management and the Company do not undertake any obligation to publicly update or revise any forward looking statements except as required by securities law.

OVERVIEW

Mercury Capital Limited ("Mercury") was incorporated under the *Business Corporations Act* (Ontario) on July 22, 2010. Mercury was classified as a Capital Pool Company (“**CPC**”) as defined in Policy 2.4 – *Capital Pool Companies* (“**Policy 2.4**”) of the TSX Venture Exchange (the “**Exchange**”). On October 27, 2010, Mercury received final receipt from the Ontario Securities Commission for a prospectus dated October 26, 2010 and became a reporting issuer in the provinces of Alberta, British Columbia and Ontario. It completed its initial public offering ("**IPO**") on January 28, 2011 and raised gross proceeds of $319,950. The common shares were listed for trading on the Exchange on February 2, 2011 under the symbol MCL.P.

As at December 31, 2011, Mercury had no assets other than cash, accounts receivable and accounts payable. Mercury did not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction.

The proceeds from the IPO and private placements prior to the IPO provided Mercury with sufficient funds to identify and evaluate business or assets and to complete its “Qualifying Transaction” as defined in Policy 2.4.

OVERVIEW (Continued)

On November 4, 2011, Mercury Capital Limited and Canada Coal Inc. ("Canada Coal") entered into an agreement with respect to a proposed business combination to be effected by way of an amalgamation of the parties. The amalgamation constituted a qualifying transaction for Mercury as defined in Policy 2.4 of the Exchange's Corporate Finance Manual. 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. As a condition of the amalgamation, Canada Coal completed a concurrent financing to raise $4,300,000 through the issuance of 6,500,000 flow-through units and 2,100,000 subscription receipts. After completion of the amalgamation, an aggregate of 43,449,750 common shares of the resulting issuer were issued and outstanding of which former Mercury shareholders owned 7.71%. The resulting issuer was named Canada Coal Inc. and was considered a Tier 2 mining issuer. Conditional approval for the transaction was received from the Exchange on January 23, 2012 and shareholder approval was obtained on February 21, 2012. The Company commenced trading on the Exchange on February 29, 2012 under the symbol "CCK".

SELECTED ANNUAL INFORMATION

Financial Information (in compliance with IFRS)

	2011	For period from July 22, 2010 to December 31, 2010
	$	$
Revenue	-	-
Net Loss for the year	(101,675)	(26,029)
Net Loss per common share, basic and diluted	(0.05)	(0.00)
Weighted average number of common shares outstanding	1,978,673	-
Balance Sheet Data		
Working capital	367,162	32,390
Total assets	398,476	119,157
Long-term debt	-	-

RESULTS OF OPERATIONS

The audited financial statements for the year ended December 31, 2011 are incorporated by reference herein and form an integral part of this MD&A.

As at December 31, 2011, Mercury was a CPC with no sales revenue. It had not yet completed its Qualifying Transaction as required by the Exchange, therefore, corporate expenditures were restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential business opportunities.

There have been no revenues since incorporation (July 22, 2010).

RESULTS OF OPERATIONS (Continued)

Operating expenses for the year ended December 31, 2012 were $101,675 which consisted of professional fees of $53,379, transfer agent and filing fees of $1,769 and share based payments of $46,527 related to the issuance of options to directors and key management. In the period from incorporation to December 31, 2010, operating expenses were $26,029 which consisted of professional fees of $6,800 and transfer agent and filing fees of $19,229.

SUMMARY OF QUARTERLY RESULTS

The following summarizes the Company's quarterly results for the quarters ended since the Company became a reporting issuer. The results are in compliance with IFRS:

Quarter Ended	December 31, 2011 $	September 30, 2011 $	June 30, 2011 $	March 31, 2011 $	December 31, 2010 $	September 30, 2010 $
Revenue	-	-	-	-	-	-
Net loss	(31,737)	(6,974)	(16,437)	(46,527)	(26,029)	-
Net loss per share	(0.01)	0.00	(0.01)	(0.03)	0.00	-

The results for the fourth quarter of 2011 were $31,737 compared with $26,029 in the same period for the prior year. In the fourth quarter of 2011, the expenditures related to professional fees. The expenditures for the fourth quarter of 2010 consisted of professional fees of $6,800 and transfer agent and filing fees of $19,229.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2011, the Company had cash of $387,742 held in the Company's trust and bank accounts compared with a cash balance of $73,956 in the prior year. The Company's working capital position at December 31, 2011 was $367,162 compared with a working capital position of $32,390 at December 31, 2010.

The Company has sufficient working capital to meet its current year's anticipated financial obligations. The Company has no outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Cash used in operating activities

The Company used cash in operating activities of $76,134 during the year ended December 31, 2011, caused primarily from on-going professional fees.

Cash provided by financing activities

During the year ended December 31, 2011, the Company raised $389,920 from the proceeds of private placements net of issue costs.

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2011, the Company incurred legal fees of $72,885 (2010 - $25,830) payable to a Garfinkle Biderman LLP, a law firm in which Robbie Grossman and Barry M. Polisuk, directors of the Company are partners. Of these legal fees, $42,781 (2010- $25,830) are included in share issue costs and $30,104 (2010 - $Nil) are included in professional fees. As at December 31, 2011, $18,250 (2010 - $25,830) of these fees were included in accounts payable and accrued liabilities.

CHANGES IN ACCOUNTING POLICIES

Current Accounting Changes

Please refer to Note 2 of the financial statements for a complete description of accounting policy changes.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2011 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 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(b) IFRS 10 Consolidated Financial Statements was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC 12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(c) IFRS 11 Joint Arrangements was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities Non Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(d) IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB in May 2011. IFRS12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(e) IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 establishes new guidance on fair value measurement and disclosure requirements for IFRSs and US generally accepted accounting principles (GAAP). The guidance, set out in IFRS 13 and an update to Topic 820 in the FASB's Accounting Standards Codification (formerly referred to as SFAS 157), completes a major project of the boards' joint work to improve IFRSs and US GAAP and to bring about their convergence. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

CHANGES IN ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

(f) IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other Comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The Company bases its estimates on historical experience and other assumptions as required that management believes are reasonable in the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. The Company reviews its estimates on an on-going basis in order to ensure the appropriateness of the estimates.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

• the inputs used in measurement for warrants in the audited statement of financial position;

• the inputs used in measurement for share based payment expense in the audited statement of comprehensive loss; and

• the provision for income taxes which is included in the audited statements of comprehensive loss and recognition of deferred income tax assets and liabilities included in the audited statement of financial position at December 31, 2011.

IFRS CONVERSION

These are the Company’s first financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The disclosures required by the provisions of IFRS 1, “First-time adoption of International Financial Reporting Standards”, explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in note 13 of the Financial Statements.

Under pre-transition Canadian GAAP, listing fees relating to listing the Company's shares on the Exchange were considered incremental to issuing new shares and were accounted for as deferred share issuance costs at December 31, 2010. Under IFRS, listing fees are not considered incremental and are expensed. The Company has recorded a transition adjustment of $19,229 to expense prior year deferred share issuance costs. This is the only transition adjustment identified.

The changes in financial performance from the prior year do not relate to the adoption of different accounting standards.

FINANCIAL INSTRUMENTS

As at December 31, 2011, the Company’s financial instruments consisted of cash and accounts payable and accrued liabilities. The carrying amounts of these financial instruments, reflected in the balance sheet, approximate their fair value due to their short-term nature.

Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company’s exposure to credit risk is limited to its cash. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Interest Rate Risk

All of the cash balance is held in a Canadian bank account. Any change to market rates results in interest rate risk. The exposure to interest rate risk, however, is limited due to the nature of the account.

Liquidity Risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2011, the Company had a cash balance of $387,742 to settle accounts payable and accrued liabilities of $31,314.

CONTINGENCIES

The Company does not have any contingencies or commitments other than those disclosed in the notes to the 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.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 3,349,750 issued and outstanding common shares or 3,794,700 shares on a fully diluted basis. If the Company were to issue 419,950 shares on conversion of all of its outstanding options and 25,000 shares upon conversion of its outstanding warrants, it would raise $88,990.

SUBSEQUENT EVENT

The amalgamation of Canada Coal and Mercury was approved by the Exchange and the shareholders of both companies subsequent to December 31, 2011. The amalgamated entity, known as Canada Coal Inc., commenced trading on the Exchange on February 29, 2012 under the symbol "CCK".