CANADA COAL INC.

Management Discussion and Analysis
For The Nine Month Periods ended June 30, 2012 and 2011

August 22, 2012

The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine month periods ended June 30, 2012 and 2011 and the audited financial statements for the periods ended September 30, 2011 and 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.

Overview

Canada Coal Inc. is a junior resource mining company focussed on the acquisition and exploration of coal properties in Nunavut, Canada. The Company was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc.

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

As a result of the transaction, the former shareholders of the original Canada Coal owned 92% of the outstanding shares of the amalgamated entity. In accordance with IFRS 3, Business Combinations, the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as Mercury does not meet the definition of a business under that standard. As a result, the transaction is 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.

Overall Performance

The Company incurred a net loss for the three months ended June 30, 2012 of $121,349 compared with a net loss of $144,838 for the same period in the prior year. The Company incurred a net loss for the nine months ended June 30, 2012 of $2,520,639 compared with a net loss of $325,073 for the same period in the prior year. The two largest expenditures for the nine months ended June 30, 2012 were share based compensation of $746,779 and the reverse take-over transaction cost of $1,187,770 related to the acquisition of Mercury Capital. Both of these expenditures were non-cash items.

During the nine month period ended June 30, 2012, the Company focussed on raising the required equity to finance its operations, completing the going public transaction with Mercury Capital, obtaining land use permits and beginning its initial exploration work program.

In November 2011, the Company closed a private placement in which it issued flow-through and non-flow-through units for $0.50 per unit for gross proceeds of $4,300,000.

The Company and Mercury Capital submitted their Joint Information Circular to the TSX Venture Exchange and received conditional approval for the amalgamation on January 23, 2012. The Company's shareholders approved the amalgamation with Mercury at the Annual and Special Meeting of shareholders held on February 21, 2011 and the amalgamation was completed on February 23, 2012. The Company began trading on the TSX Venture Exchange on February 29, 2012.

As part of the requirements for the going public transaction, the Company was required to obtain a 43-101 on its mineral resource interests. A 43-101, prepared by Associated Geosciences, Calgary, Alberta, was completed on the area covered under the coal licenses and license applications which were acquired during the year ended September 20, 2011. The 43-101 outlined a two phased work program. Phase I would be primarily focused on reconnaissance including mapping and sampling to delineate and prioritize targets. Phase 2 is 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 43-101 is available on SEDAR.

The Company has started the process of "de-risking" the project. It has been granted all of the exploration licenses for which it applied in fiscal 2011. Two rounds of community consultation have been conducted. In addition, the Company commissioned a logistics study to investigate viable transportation alternatives for future coal operations.

The Company obtained its required land use permits and the Phase I work program began on June 16, 2012. The program consisted of mapping and sampling. A total of 285 samples have been submitted for testing. It is anticipated that the results will be available by mid-September 2012.

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 licenses and eight coal exploration license 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 license applications was transferred to CSCC. Hunter retained a 2% royalty on the licenses of which 1% can be purchased by the Company for $1,000,000. Details of the consideration for the acquisition are outlined in the notes to the unaudited condensed interim consolidated financial statements.

Operating Activities (Continued)

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 licenses representing approximately 157,753 acres of land located in Nunavut. The consideration for the acquisition is outlined in the notes to the unaudited condensed interim consolidated financial statements.

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

Canada Coal's coal licenses are located on Ellesmere Island and Axel Heiberg Islands, Nunavut Territory, Canada. The project currently consists of 75 coal licenses geographically distributed as nine discrete exploration areas occupying a total of 989,521 hectares. The licenses are held by the Company's two wholly owned subsidiaries 5200 Nunavut Ltd. and Canadian Sovereign Coal Corp. The exploration areas consist 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 licenses has been the subject of previous exploration work conducted primarily between 1981-1983 by Gulf, Petro Canada and Utah. Fosheim Peninsula was the most widely explored area. Management does not believe that the previous exploration activity included any drilling. While the previous exploration activity resulted in various significant resource estimates, none of them were 43-101 compliant.

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

The Company contracted Associated Geosciences Ltd., Calgary, Alberta, to prepare a 43-101 for the coal assets acquired. As part of the 43-101 process, Associated Geosciences 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 is 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 license blocks on Fosheim Peninsula, Bache Peninsula,

Operating Activities (Continued)

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 16th, 2012 and July 30th, 2012. Personnel were positioned at Environment Canada's Eureka Weather Station and utilized helicopter support to access the project area. The crew included two teams of geologists, a geophysics team, a heritage team (consisting of a paleontologist and archaeologist), local guides, and aircraft personnel.

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

Throughout the field program 39 of the Company's 75 total coal exploration license blocks were assessed including: 22 license blocks on Fosheim Peninsula, 8 license blocks on Bache Peninsula, 1 license block on Strathcona Fiord, and 8 license blocks on Vesle Fiord. Fosheim Peninsula was the primary exploration target.

Exploration of these license 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. Sample results are anticipated to be released in mid-September 2012.

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

The Company also commissioned a logistics study to report on viable transport alternatives for future coal operations and expects to report on the results shortly.

As at June 30, 2012, the Company incurred $265,829 in acquisition costs and $2,607,472 in deferred exploration costs.

Results of Operations

The results of operations reflect the overhead costs incurred for coal asset acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as asset acquisitions and exploration continues. As at June 30, 2012, the Company had not recorded any significant revenues from its projects.

The Company incurred a net loss for the three months ended June 30, 2012 of $121,349 compared with a net loss of $144,838 for the same period in the prior year. While there were variations in a number of the expense categories, explanations of the most significant variances are provided below:

- A decrease of 17,338 in consulting fees as most of the consulting services utilized in 2012 were specifically related to the exploration and evaluation activities and accordingly have been capitalized.

- An increase in $27,359 in office, rent and miscellaneous expenses as the Company incurred expenses related to Part XII.6 tax on unspent flow through balances, rent, insurance and membership in coal associations.

- A decrease of 33,365 in share based compensation as no options were granted in the three months ended June 30, 2012 while 300,000 options were granted in the comparable period in 2011.

- An increase of $11,026 in travel and accommodation as the Company increased its travel activity related to reviewing various transportation approaches for movement of coal.

- An increase in investment income of $18,865 as the Company had higher interest earning cash balances during the three months ended June 30, 2012.

The Company incurred a net loss for the nine months ended June 30, 2012 of $2,520,639 compared with a net loss of $325,073 for the same period in the prior year. In the nine month period ending June 30, 2011, the Company had no cash until the end of April 2011 and was focussed of acquiring its coal assets. During the nine month period ended June 30, 2012, the Company focussed on completing its going public transaction with Mercury Capital, raising the required equity to finance its Phase I work program, engaging in community consultations in Nunavut, applying for land use permits and planning and commencing its Phase I exploration program.

Explanations of the most significant variances in net loss for the nine month periods are provided below:

- An increase of $176,000 in management fees as the fiscal 2012 expenses include salaries for an Executive Chairman of the Board in addition to CEO and CFO fees. In addition, a signing bonus of $90,000 was paid to the new CEO. The management fees for fiscal 2012 reflect wages for a full nine months while management fees were only paid for five months in the comparable period in fiscal 2011. These increases were partially offset by voluntarily reductions in the fees of the Executive Chair and CFO from $12,000 and $8,000 per month to $8,000 and $5,000 respectively commencing in January 2012.

- A decrease of $13,838 in consulting fees as most of the consulting services utilized in 2012 were specifically related to the exploration and evaluation activities and accordingly have been capitalized.

- An increase in $42,428 in office, rent and miscellaneous expenses as the Company has incurred expenses related to Part XII.6 tax on unspent flow through balances, rent, telephone, printing, office supplies, insurance and membership in coal associations.

Results of Operations (Continued)

- An increase of $151,980 in professional fees predominantly related to audits for both Canada Coal and Mercury Capital and legal fees related to the going public transaction.
- An increase of 19,084 in shareholder communication and promotion as the Company increased its promotional activities to raise corporate awareness.
- An increase in share based compensation of $594,962 is a result of the fair value of the 2,100,000 options granted to directors and officers and 419,950 options granted to Mercury Capital in fiscal 2012 being greater than the fair value of the 1,800,000 options granted in fiscal 2011.
- An increase in transfer agent and filing fees of $69,744 as the Company paid fees in fiscal 2012 related to the going public transaction and annual filing fees for both Canada Coal and Mercury.
- An increase of $21,227 in travel and accommodation as the Company increased its travel activity related to planning its work programs and reviewing various transportation approaches for movement of coal.
- An increase in investment income of $53,791 as the Company had higher interest earning cash balances during the nine months ended June 30, 2012.
- Reverse take-over transaction costs of $1,187,770 which represent the excess of the value of consideration (shares, options and warrants) given by Canada Coal over the fair value of net assets acquired from Mercury.

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.

Three Months Ended	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
	$	$	$	$
Revenue (investment income)	19,930	20,075	14,851	10,667
Net Loss	121,349	1,493,815	905,476	201,895
Net Loss per common share	0.00	0.04	0.02	0.00
Three Months Ended	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 10-30, 2010**
	$	$	$	$
Revenue (investment income)	1,065	-	-	-
Net Loss	184,838	169,219	11,016	4,631
Net Loss per common share	0.01	0.02	0.01	0.00

Liquidity and Capital Resources

The Company's cash position at June 30, 2012 was $5,575,483 compared with a cash balance of $3,074,570 at September 30, 2011.

In November 2011, the Company closed a private placement in which it issued 6,500,000 flow-through units and 2,100,000 subscription receipts for units at $0.50 per unit for gross proceeds of $4,300,000. Each flow through unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at $0.80 for three years from the date of closing. Upon completion of the amalgamation between Mercury Capital and Canada Coal, each subscription receipt provided the holder with one common share of the resulting issuer and one half of one common share purchase warrant in Canada Coal exercisable at $0.80 for three years from the date of closing. The proceeds from the issuance of subscription receipts were held in escrow until the amalgamation was completed but have now been released to the Company.

At June 30, 2012 the Company had working capital of $4,620,671 compared to a working capital balance of $3,068,462 at September 30, 2011. For the nine months ended June 30, 2012, the Company utilized $752,786 for operating activities and $1,030,251 for exploration and evaluation expenditures and the purchase of equipment. The Company obtained $3,916,190 from the proceeds of private placements, net of issue costs, and $49,127 from additional contributions from seed shareholders. The Company also obtained cash of $318,633 from the acquisition of Mercury.

There were no material credit facilities in place as at June 30, 2012.

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

Related Party Transactions

For the nine month period ended June 30, 2012, the Company entered into the following related party transactions:

a) Incurred management fees of $84,000 (2011: $60,000) to West Oak Capital Partners Inc., a company controlled by R. B. Duncan, CEO of the Company to February 23, 2012 and subsequently Executive Chairman of the Board.

b) Incurred management fees of $138,000 to Abraham Jonker, CEO of the Company as of February 23, 2012. The fees include a $90,000 signing bonus.

c) Incurred management fees of $54,000 (2011: $40,000) to Olga Nikitovic (CFO).

d) Incurred legal fees from Aird & Berlis LLP. Tom Fenton (Director and Corporate Secretary) is a Partner with Aird & Berlis LLP. General corporate legal fees of $135,925 (2011: $18,376) are reflected as professional fees, legal fees related to the acquisition of mineral properties of $Nil (2011: $7,939) are reflected in exploration and evaluation expenditures, fees related to private placement throughout the year of $39,833 (2011: $11,462) are reflected as share issue costs. Legal fees included in accounts payable at June 30, 2012 are $2,935 (2011: $11,394).

e) Incurred rent costs of $7,500 (2011: $Nil) for shared office space with Evolving Gold Corp. The Company and Evolving Gold share one common officer and two common directors.

Related Party Transactions (Continued)

The compensation for key management personnel is identified above in (a), (b) and (c). The Company does not pay any health or post employment benefits. The fair value of share based compensation granted to key management or directors for the nine months ended June 30, 2012 was $746,779 (2011: $151,817).

Off Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

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

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

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

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

Critical Accounting Estimates (Continued)

estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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

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

Changes in Accounting Policies

Current Accounting Changes

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

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning October 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”) replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Critical Accounting Estimates (Continued)

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on October 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes ("IAS 12) that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company has chosen not to early adopt and does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IAS 1 Presentation of Financial Statements ("IAS 1") 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. The Company has not yet determined the impact of the amendment on its consolidated financial statements.

Financial Instruments

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

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the unaudited condensed interim 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 does not believe it is exposed to significant interest, currency or credit risk arising from these financial instruments.

Proposed Transactions

The Company continues to review and assess possible transactions.

Contingencies

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

Subsequent Events

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

Other MD&A Requirements

As at August 22, 2012, the Company has 43,449,750 shares outstanding or 75,296,700 shares on a fully diluted basis. If the Company were to issue 28,027,000 upon conversion of all of its outstanding warrants and 3,819,950 upon conversion of its outstanding options, it would raise $12,000,590.

CANADA COAL INC.

CORPORATE DATA

August 22, 2012

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Tom Fenton	Director/Corporate Secretary
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CAPITALIZATION

Authorized:	Unlimited
Issued:	43,449,750
Escrow:	8,550,000