CANAM COAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

The following management discussion and analysis ("MD&A"), prepared as of August 29, 2014, provides analysis of the Company's financial condition and results of operations for the three and six months ended June 30, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 and the audited consolidated financial statements of the Company for the year ended December 31, 2013. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars unless otherwise stated. This document contains forward-looking statements. Please refer to the cautionary language on the last page of this MD&A.

Overview

CanAm Coal Corp. (the "Company") is a coal producer and development company listed on the TSX Venture Exchange. In 2010, the Company acquired RAC Mining LLC ("RAC"), an Alabama based coal producer and owner of the Powhatan mine. In 2011, the Company acquired a 50% ownership stake in Birmingham Coal & Coke Inc. and Cahaba Contracting & Reclamation LLC (collectively referred to as "BCC"), an Alabama based coal producer. Effective July 1, 2012, the Company increased its ownership position in BCC to 80%. The Company has an option to purchase the remaining 20% before May 9, 2016.

The Company now operates 4 mines (Knight, Old Union 2, Posey Mill 2 and Powhatan). A fifth mine, Gooden Creek 2 is expected to open in 2014. The Company has assembled a significant lease position and is pursuing permitting and other development stage activities in preparation of new mine openings in 2014 and 2015.

Operating Results Summary

The table below sets out operating results for the past six quarters.

	Coal Sales Tons	Revenue $'000's	EBITDA from operations $'000's
2013			
Q1	149,453	13,887	1,868
Q2	**168,488**	**15,583**	**2,613**
Q3	195,750	17,873	3,389
Q4	168,113	14,893	2,650
Total	**681,804**	**62,236**	**10,520**
2014			
Q1	167,955	16,482	2,715
Q2	**186,033**	**17,510**	**2,566**
Q2 YTD	**353,988**	**33,992**	**5,281**

Note: Please refer to the definition of EBITDA from operations on the last page of this MD&A.

High Level Summary

Q2 was characterized by strong sales volumes and revenue on the one hand and difficult operating conditions on the other hand. Volumes continued their upward trend and were up 18,078 tons (+11%) compared to Q1 2014 and up 17,545 tons (+10%) as compared to Q2 2013. Increased sales volumes were the result of strong coal shipments to the utility company as they are rebuilding inventory following the harsh winter conditions in January and February of this year. This performance was partly offset by reduced shipments to one of our industrial customers as a result of an extended shutdown of one of their furnaces. Revenue for the quarter was $17.5 million, an increase of approximately $1 million (+6%) over Q1 2014 and $1.9 million (+12%) over Q2 2013. This increase was mainly the result of increased sales volumes and the appreciation in the US dollar. This increase was partly offset by lower average realized pricing as a result of the mix of coal shipments (utility versus industrial customers) during the quarter.

Operationally the Company experienced a number of challenges at the Old Union 2 and Powhatan mine as a result of geological inconsistencies in the coal seams which resulted in overall lower coal recovery rates and therefore lower coal production. Also, and more importantly, the Company had forecasted 14,000 tons of production from the Gooden Creek 2 mine in Q2 but the Company was unable to secure all of the necessary permits to open up this mine despite its efforts to fully comply with all the regulatory requirements including the proposed purchase of stream mitigation credits. As a result, overall coal production was lower than forecasted and the Company supplemented its production with the purchase of some 17,000 tons of coal from third party coal producers. This allowed the Company to meet its sustained and increased demand for its coal from its customers. Operating cost for the quarter, including the cost associated with purchasing coal, were $10.8 million or $58/ton as compared to $9.3 million in Q2 2013 or $55/ton. Despite the operational challenge, this increase was mainly the result of the appreciation in the US dollar and Q2 operating costs in US dollar terms were actually slightly lower than in Q2 2013 ($53/ton vs $54/ton). Operating cost in the quarter were higher than the Company's target of <US$50 per ton.

Royalties, transportation and other costs ("RTO") in Q2 2014 were higher as compared to the prior year but still in the range of $17 to $19, as expected.

For the six month period ended June 30, 2014, the Company achieved sales volume, revenue and EBITDA from operations of 354,000 tons, $34 million and $5.3 million, respectively which represented an improvement over the prior year of 36,000 tons (+11%), $4.5 million (+15%) and $0.8 million (+18%) respectively. In the first quarter of the year, the Company was faced with some of the most difficult operating conditions in the Company's history. The State of Alabama experienced the coldest winter in the last 30 years and one of the coldest in its history. In January and February in particular, the Company had numerous days where production and sales had to be either completely shut in or were at least partially impacted. However, the harsh winter resulted in a significant drawdown in coal stocks and higher natural gas prices which drove much higher utility coal demand starting in March of 2014 and into the second quarter.

Sales Volume and Pricing

	Three month period ended (Unaudited)	Three month period ended (Unaudited)	Six month period ended (Unaudited)	Six month period ended (Unaudited)
	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013
Tons sold	**186,033**	**168,488**	**353,988**	**317,941**
Revenue	**$ 17,510,340**	**$ 15,583,114**	**$ 33,992,068**	**$ 29,470,155**
Average overall coal price	**94**	**92**	**96**	**93**

Q2 2014 revenue was 12% higher than Q2 2013. The increase reflects higher tonnage sales and the appreciation of the United States dollar vs. the Canadian dollar but partly offset by a lower average realized selling price.

Volumes

Q2 2014 sales volumes were 186,033 tons compared to 168,488 tons sold in Q2 2013. Although production levels were down in Q2, the Company was able to sustain and increase its Q2 2014 sales volumes by selling down some of its inventory at certain mines and by purchasing some 17,000 tons of coal from third party coal producers, which was resold to Company customers.

Strong Q2 2014 sales performance was mainly the result of a higher contracted sales base as compared to 2013 and higher shipments to the utility company as they are rebuilding coal inventories following a significant coal inventory draw down in the first half of 2014 resulting from the harsh winter conditions. Sales volumes in Q2 2014 were negatively impacted by an extended shutdown of one of the furnaces at one of the Company's industrial customers.

Sales volume for the six month period ended June 30, 2014 was up 36,047 tons or 11% as compared to the prior year. Although volumes were negatively impacted in Q1 by the harsh winter operating conditions, the higher contracted sales base in 2014 and the increased demand from the utility company starting in March 2014 resulted in the overall improved shipment performance over 2013.

Pricing

Q2 2014 average pricing was $94 per ton (US$ 86/ton) compared to $92 per ton (US $91/ton) realized in Q2 2013. The lower average realized US$ price was mainly the result of the mix of the Company's coal shipments in the second quarter. The average realized price is a function of the coal shipped to the Company's utility and industrial customers as the latter have a higher price per ton. As the Company's production is fully contracted for, average sales pricing is only impacted by the mix of the shipments.

The average coal price for the six month period ended June 30, 2014 was $96 per ton (US$ 88/ton) compared to $93 per ton (US$ 91/ton) and the slightly lower price in US dollar terms is a function of the mix of coal shipments as explained above.

Cost of Production Sold and Royalties, Transportation and Other (RTO)

	Three month period ended (Unaudited)	Three month period ended (Unaudited)	Six month period ended (Unaudited)	Six month period ended (Unaudited)
	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013
Tons sold	**186,033**	**168,488**	**353,988**	**317,941**
Revenue	**$ 17,510,340**	**$ 15,583,114**	**$ 33,992,068**	**$ 29,470,155**
Average overall coal price	**94**	**92**	**96**	**93**
Average cost of production sold	58	55	59	56
Average RTO cost	18	17	18	18
Income from mining	(0)	3	0	1
EBITDA from operations	$ 14	$ 16	$ 15	$ 14

Note: Please refer to the definition of EBITDA from operations on the last page of this MD&A.

Q2 2014 cost of production sold was $58 per ton (US$ 53/ton) compared to $55 per ton (US$ 54/ton) in Q2 2013. Q2 2014 includes the cost of purchasing approximately 17,000 tons from third party coal producers. For the six month period ended June 30, 2014, cost of production was $59 per ton (US$ 54/ton) compared to $56 per ton (US$ 54/ton) in 2013.

Q2 2014 cost of production sold in US dollar terms was slightly lower than the prior year but above our target of < US$ 50 per ton. Production costs were negatively impacted by geological inconsistencies in the coal seams at the Old Union 2 and Powhatan mine which resulted in overall lower coal recovery rates and therefore lower coal production and higher average production cost per ton. Also, and more importantly, the Company had forecasted 14,000 tons of production from the Gooden Creek 2 mine in Q2 but the Company was unable to secure all of the necessary permits to open up this mine despite its efforts to fully comply with all the regulatory requirements including the proposed purchase of stream mitigation credits. As the Gooden Creek 2 mine is forecasted to have average production cost of below US$ 50/ton, the lack of production from this mine in Q2 impacted average production cost for the quarter.

The Company continues to be focused on operating efficiencies and cost improvement opportunities with the goal of achieving a production cost per ton of below US$ 50. In the absence of the Gooden Creek 2 permit, the Company is also looking at various options and scenarios to maximize its production at the other mines and will continue to source additional coal from third party producers.

Q2 2014 royalty, transportation and other (RTO) costs were $18 per ton sold (US$ 17/ton), compared to $17 per ton (US$ 16/ton) in Q2 2013. For the six month period ended June 30, 2014, RTO costs were $18 per ton sold (US$ 16/ton), compared to $18 per ton (US$ 17/ton) in 2013. The Company expects RTO to trend in the range of $17 to $19, on average.

EBITDA from operations

Q2 2014 EBITDA from operations was $2.6 million, as compared to $2.6 million in Q2 2013. For the six month period ended June 30, 2014, EBITDA from operations was $5.3 million as compared to $4.5 million or an increase of $0.8 million (+18%). Please refer to the footnote in the table below and the definition of EBITDA on the last page of this MD&A.

Detailed Financial Results Analysis

The table presents financial results for the three and six months ended June 30, 2014.

	Three month period ended (Unaudited) Jun 30, 2014	Three month period ended (Unaudited) Jun 30, 2013	Six month period ended (Unaudited) Jun 30, 2014	Six month period ended (Unaudited) Jun 30, 2013
Revenue (coal sales)	**$ 17,510,340**	**$ 15,583,114**	**$ 33,992,068**	**$ 29,470,155**
Production cost	(10,798,936)	(9,297,476)	(20,909,924)	(17,646,023)
Royalties, Transportation & Other	(3,425,052)	(2,815,194)	(6,330,277)	(5,668,170)
Depletion & amortization	(3,363,310)	(2,978,330)	(6,699,662)	(5,844,175)
Income from mining operations	**(76,958)**	**492,114**	**52,205**	**311,787**
General & administrative	(719,880)	(857,849)	(1,470,223)	(1,675,618)
Other expenses (excluding G&A)	(1,554,241)	(1,785,805)	(3,063,106)	(3,343,873)
Loss before tax	**(2,351,079)**	**(2,151,540)**	**(4,481,124)**	**(4,707,704)**
Income tax recovery	691,217	603,898	1,319,593	1,328,109
Loss for the period	**(1,659,862)**	**(1,547,642)**	**(3,161,531)**	**(3,379,595)**
Loss attributable to owners of the parent	*(1,515,350)*	*(1,527,512)*	*(3,023,691)*	*(3,263,415)*
Loss attributable to non-controlling interest	*(144,512)*	*(20,130)*	*(137,840)*	*(116,180)*
	(1,659,862)	(1,547,642)	(3,161,531)	(3,379,595)
EBITDA from operations	$ 2,566,472	$ 2,612,595	$ 5,281,644	$ 4,480,344

Please refer to the definition of EBITDA from operations on the last page of this MD&A.

Loss for the Period

In Q2 2014, the Company recorded a loss of $1.6 million compared to a loss of $1.5 million in the previous year. A number of factors contributed to the Q2 2014 loss including increased depreciation, amortization and depletion arising from a larger asset base, debenture issue amortization and accretion expenses and a loss on the sale of mining equipment. The majority of these factors are non-cash related and therefore do not impact the Company's EBITDA from Operations and Free Cash Flow.

For the six month period ended June 30, 2014, the loss was $3.2 million compared to a loss of $3.4 million in the prior year.

Revenue, Production Cost, Royalties, Transportation and Other

Refer to the discussion in the Operating Results section of the MD&A

Depletion and Amortization

Q2 2014 depletion and amortization was 13% higher than Q2 2013. The increase is attributable to a higher average equipment and mineral property asset base. During 2012 and 2013, the Company made significant investments in equipment and mines. Mineral property depletion was also higher due to the increase in tonnage mined over 2013 (depletion is based on tonnage mined). Q2 2014 depletion and amortization was also impacted by the appreciation of the United States dollar vs. the Canadian dollar.

For the six month period ended June 30, 2014, depletion and amortization was 15% higher than in the prior year for the same reasons as explained above.

General and Administrative (G&A) Expenses

	Three month period ended (Unaudited)	Three month period ended (Unaudited)	Six month period ended (Unaudited)	Six month period ended (Unaudited)
	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013
Payroll, professional and consulting fees	$ 423,191	$ 461,678	$ 893,168	$ 969,964
Insurance, travel, office, rent & other	272,467	344,703	501,131	618,366
Public company (promotion, regulatory & other)	24,222	51,468	75,924	87,288
	$ 719,880	**$ 857,849**	**$ 1,470,223**	**$ 1,675,618**

Q2 2014 G&A was lower than Q2 2013 reflecting the Company's emphasis on administrative cost control. For the six month period ended June 30, 2014, G&A was $1.5 million as compared to $1.7 million or a reduction of $0.2 million or 12%. General and Administrative expenses will continue to decrease as the Company executes on its recently announced corporate reorganization which, on an annualized basis, should result in cost savings of $0.5 million.

Other Expenses, excluding General and Administrative Expenses

	Three month period ended (Unaudited) Jun 30, 2014	Three month period ended (Unaudited) Jun 30, 2013	Six month period ended (Unaudited) Jun 30, 2014	Six month period ended (Unaudited) Jun 30, 2013
Interest on debentures	$ 662,672	$ 640,440	$ 1,273,476	$ 1,252,506
Interest of equipment financing	172,431	189,275	335,046	387,855
Debenture related costs	418,747	444,233	847,601	882,838
Stock based compensation	29,026	84,387	78,518	163,866
Loss on sale of equipment	254,253	136,685	254,253	136,685
Evaluation and exploration expenses	9,683	184,363	9,683	248,279
Foreign exchange loss	7,429	106,422	264,529	271,844
	$ 1,554,241	**$ 1,785,805**	**$ 3,063,106**	**$ 3,343,873**

Q2 2014 other expenses were some $0.2 million lower than in the prior year mainly as a result of lower stock based compensation expenses, evaluation and exploration expenses and foreign exchange loss. The foreign exchange loss arises from the translation of the vendor portion of the August 2012 debenture, which is denominated in US dollars. This decrease was partly offset by an increase in the loss on the sale of some mining equipment during the quarter. For the first half of the year, other expenses were some $0.3 million lower than in the prior year mainly for the same reasons as during the second quarter.

Income tax recovery

During Q2 2014, the Company recorded a recovery of income taxes of $0.7 million compared to a $0.6 million recovery in Q2 2013. For the first half of the year, income tax recovery was $1.3 million compared to $1.3 million in the prior year.

Loss attributable to non-controlling interest

Loss attributable to non-controlling interest represents the financial results attributable to the 20% minority shareholder of BCC. BCC's minority shareholder loss is proportionally lower than the overall CanAm loss as CanAm results include debenture financing interest, additional depreciation and depletion on the purchase price allocated to mineral properties and equipment and additional non-cash expenses such as stock based compensation and asset impairments.

Other Key Financial Metrics

Capital Expenditures

Q2 2014 capital expenditures on equipment, capital repairs and mineral property development totalled $1.6 million compared to $ 2.4 million in Q2 2013. During Q2 2014, the Company invested $0.7 million in new mine development mainly at its Knight and Old Union 2 mines for pond building, road construction and general site preparation. The Company capitalized major repairs to existing equipment in the amount of $2.0 million and sold some mining equipment for proceeds of $1.1 million. The Company did not purchase any new equipment in Q2 2014. In Q2 2013, capex was $2.4 million and included $0.6 million of mine development, $1.3 in capital equipment repairs, $1.2 million in new equipment and asset sales of $0.7 million.

For the six month period ended June 30, 2014, capital expenditures were $3.5 million as compared to $4.9 million in the prior year.

Liquidity and Financial Position

As at June 30, 2014, the Company had a working capital deficit of $7.9 million as compared to $25.3 million at March 31, 2014 and $22.8 million at December 31, 2013. The significant improvement of the working capital is the result of improved financial results in the first half of 2014, the refinancing of the May 2014 debentures with a new $14 million secured non-convertible debenture and the additional US$3 million financing by a major US financial institution. Also, the Company completed its debt to equity conversion of $7.6 million which was announced by the Company on May 20, 2014.

Secured US $3 million in financing by major US Financial Institution

Effective April 18, 2014, the Company amended its equipment financing agreement with its main banking and equipment lender. The main changes were to increase the principal amount of the loan by US $3 million (54 month term) and to reset the amortization period for the outstanding amount of the original loan (US $13.2 million outstanding at April 2014) to 48 months. The blended interest rate on the facility is 4.04%.

Closed a private placement financing of $14 million

Effective May 23, 2014, the Company closed a private placement of 14 million units for gross proceeds of $14 million. Each unit consists of $1,000 principal amount of non-convertible secured debentures and 670 common share purchase warrants. The debentures mature 48 months from the date of issuance and will bear interest at a rate of 12% per annum, payable semi-annually. The Debentures have a principal repayment feature starting in month 25 and early redemption provisions starting in month 13. CanAm used the proceeds to repay its 10% and 9.5% debentures that matured on May 8 and May 9, 2014 and for general working capital purposes.

Debt to Equity Conversion of $7.6 million

Effective August 1, 2014, the Company repurchased $7.3 million in outstanding 2016 Debentures held by related parties (the "Insiders") and repurchased $330,000 in outstanding 2016 Debentures held by certain other debentureholders (the "Other Debentureholders"). In consideration for the repurchase from the Insiders, the Company issued 121,806,666 common shares of the Company at a price of $0.06 per common share. The Other Debentureholders received 6,600,000 common shares of the Company at a price of $0.05 per common share and received 5,280,000 common share purchase warrants (the "Warrants"). Each Warrant is exercisable at a price of $0.0625 per common share for a period of two years from closing.

Summary impact

The impact of improved financial results, the additional equipment financing, the extension of the equipment financing loan term, the successful refinancing of the May debentures, the debt to equity conversion and other measures taken by the Company have significantly improved the financial position and capital structure of the Company:

- Working capital improvement of approximately $17.4 million as compared to March 31, 2014;
- Net debt decrease of $7.6 million; and
- Debt to equity ratio improvement, on a proforma basis at June 30, 2014, of 76:1 to 6:1.

Also, over the remaining term of the August 2016 debentures, the debt to equity conversion will reduce the Company's interest cost by approximately $1.4 million, including approximately $0.3 million in 2014.

In addition, the Company signed into an agreement with certain directors and officers (the "insiders") of the Company to defer interest owed on the May 2016 debentures to such insiders to October 1, 2015. The amount of the deferred interest is approximately $713,000.

The Company continues to focus on improving its working capital position and capital structure and evaluates on an ongoing basis a number of potential measures including maximizing customer coal shipments, improving operating efficiencies and implementing cost reduction opportunities, accelerating the sale of current coal inventories, selling excess equipment and identifying additional sources of funding. While the Company believes that it has made significant progress and that it will be successful in implementing additional measures, there is no certainty that this will occur. Accordingly, the Company has included a reference in the consolidated financial statements respecting its ability to continue as a going concern (see Note 2 of the financial statements).

Corporate Reorganization

In order to further streamline its operations and drive cost savings, the Company is implementing a number of organizational changes that will result in the relocation of the head office from Calgary, Alberta to Birmingham, Alabama. The relocation reflects the reality that the Company's principal operating assets are located in North Western Alabama and is expected to save the Company approximately $500,000 per annum. The Company will maintain a presence in Calgary.

In conjunction with the relocation, Robert Lewis will assume the title of President & Chief Operating Officer of the Company and will be directly responsible for all operational aspects of the business. Jos De Smedt will, in addition to his role of Chief Executive Officer, assume the Chief Financial Officer role, replacing Scott Bolton. Jos will be directly responsible for all governance, strategy, finance, regulatory and investor relations aspects of the business. Scott Bolton remains as an advisor and director of the Company.

Outlook for balance of 2014

The Company is optimistic about the remainder of 2014 as it relates to the local coal markets. Demand from our customers remains strong, additional sales opportunities are becoming available and some supply has been taken out of the local market. That having said, the Company requires production from the Gooden Creek 2 mine in order to deliver on its plan for the remainder of 2014. Although we believe the permit will be issued soon, the timing of such is uncertain and therefore the Company will have to continue to purchase coal from third party producers.

The main focus of the Company for the remainder of the year will be:

- to maximize production at the existing mines and aggressively pursue start-up of operations at the Gooden Creek 2 mine;
- to continue to improve the working capital position of the Company and evaluate on an ongoing basis a number of potential measures including maximizing customer coal shipments, improving operating efficiencies and implementing cost reduction opportunities, accelerating the sale of current coal inventories and selling excess equipment; and
- to continue to improve the capital structure of the Company by identifying and attracting additional sources of funding.

Additional information

Background information on CanAm Coal Corp.

Alabama Coal Mine Operations

RAC Mining LLC ("RAC")

On November 23, 2009, the Company entered into a Joint venture agreement and completed a transaction to create a US coal mining company, RAC Mining LLC ("RAC") in partnership with a group of private investors in Alabama. Pursuant to the transaction, CanAm purchased a 49% interest in RAC from treasury for US$1,000,000 paid by a combination of cash and notes. CanAm's partners, two Alabama based mining companies, owned 51% of RAC Mining in exchange for the contribution of mining rights associated with two active mining permits and two mining leases. On November 8, 2010, the Company acquired from Job Land & Mineral Inc. ("JLM"), through its wholly owned subsidiary Radar USA Hold Corp. and its majority owned subsidiary RAC Mining LLC: its 49% ownership share in RAC, its ASMC (permit # 3868 and #3933) and ADEM (# AL7194) permits associated with the Powhatan mine and its leases associated with the Powhatan lands. In consideration for the acquired assets, CanAm paid a purchase price of US$1,486,250. In addition, CanAm also deposited, with various lenders, an amount of approximately US$400,000 as security for reclamation bonds posted by such lenders. Concurrent with the Transaction, RAC also acquired mining equipment from JLM for a total purchase price of US$904,600 and purchased US$72,000 of equipment from a third party vendor. Effective April 2012, the Company acquired the remaining 2% of RAC that it did not already own.

Birmingham Coal & Coke Company, Inc. ("BCC")

On May 9, 2010, the Company completed a transaction (the "Transaction") to acquire three operating coal mines in Alabama, USA. Pursuant to the Purchase and Sale Agreement and an Option Agreement, the Transaction resulted in Radar USA Hold Corp ("Radar USA") (a wholly owned subsidiary of the Company) purchasing 50% of all of the issued and outstanding shares of Birmingham Coal & Coke Company, Inc. and 50% of all of the membership interests of Cahaba Contracting & Reclamation, LLC (collectively "BCC") from its principal shareholders. In consideration, CanAm and Radar USA paid a cash purchase price of US$8,000,000 and 12.5 million in common shares of CanAm Coal Corp. The Company also has an option (the "Option") whereby Radar USA may acquire an additional 30% of the Shares and Interests within 2 years from the closing date of the Transaction and the remaining 20% of the Shares and Interests within 5 years from the closing date of the Transaction (such that if the Option were fully exercised, Radar USA would wholly own BCC).

The purchase price for the remaining 50% of the Shares and Interests purchased pursuant to the Option, is based on a multiple of four times the combined average annual EBITDA of BCC from the preceding three years prior to the date of exercise of the Option, but shall be no less than US$11,500,000 in year one of the option period, US$12,000,000 in year two of the option period, US$12,500,000 in year three of the option period, US$13,000,000 in year four of the option period and US$13,500,000 in year five of the option period**.** The Transaction has an effective date of May 1, 2011. The acquisition provides CanAm access to three operating coal mines (Bear Creek, Old Union and Gooden Creek) that produce high quality thermal coal, a coal brokerage business and a stable cash flow.

In August 2012, the Company through Radar USA completed the acquisition of an additional 30% in equity interests in BCC. CanAm retains an option to acquire the remaining 20% of BCC before May 9, 2016.

Additionally, the Company closed a non-brokered private placement offering (the "Offering") of 13,165 units ("Units") at a price of CDN$1,000 (and/or its US dollar equivalent) per Unit for total proceeds of CDN$13,143,400. Each Unit is comprised of a $1,000 principal amount of 9.5% non-convertible and unsecured debentures ("Debentures"), 1,250 2012 series A common share purchase warrants ("Series a Warrants") and 1,000 2012 series B common share purchase warrants ("Series B Warrants"). The Debentures have a term of four years with a partial repayment feature that is triggered upon the achievement of a certain production level. The Series A Warrants have an exercise price of CDN$0.20 and a term of four years, and the Series B Warrants have an exercise price of CDN$0.25 and a term of four years.

The aggregate purchase price of the acquisition was US$11,505,682, and was settled by US$5,505,682 in cash and the issuance of Debentures in the Offering in an aggregate principal amount of US$6,000,000 together with 7,500,000 Series A Warrants and 6,000,000 Series B Warrants.

BCC Coal Reserves

In June 2011, the Company completed a NI 43-101 compliant independent reserve report for Birmingham Coal & Coke, Inc. The resource estimate was prepared by Dennis Nikols, P. Geo., as the "Qualified Person" under NI 43-101. A copy of the report entitled "CanAm Coal Corp.'s Share Purchase from Birmingham Coal & Coke Co., Technical Report NI 43-101" is available on the SEDAR website at www.sedar.com. The report determined the coal resource at 6 million tons of proven reserves. A summary of the Proven Reserves of the 3 coal mining properties combined is shown in the table below.

Summary of Proven Reserves

	Bear Creek		Old Union		Gooden Creek		Total	
	Acres	Tons	Acres	Tons	Acres	Tons	Acres	Tons
Permitted Active Mining	155	310,000	406	720,000	178	445,000	739	1,475,000
Permit Pending	784	1,347,750	729	1,275,000	726	1,893,800	2239	4,516,550
Total	939	**1,657,750**	1135	**1,995,000**	904	**2,338,800**	2978	**5,991,550**

Notes: 1) Permitted Active Mining refers to that coal where all environmental and operating permits are in place and active mining and reclamation was proceeding as of January 1, 2011. 2) Permit Pending refers to that coal where all mining permits are not yet granted (in some cases, environmental permits have been granted).

The 6 million tons of reserves at BCC are low sulfur, high-volatile A Bituminous and in some instances exhibit near metallurgical coal characteristics. These reserves are extractable through open pit mining methods with no washing required. A recovery factor of 85% has been used in the calculation of the reserves which is standard with these coal seams in Alabama and conservative by BCC's historical recovery rates. Heating value for these coals ranges from 11,000 Btu/lb. to 13,000 Btu/lb. Sulfur percent, as a constituent of the ash, ranges from 0.7% to 1.6%, which makes for compliance sulfur blended coal products. The percent of ash in the coal ranges from 6.0% to 16.0% depending on the seam being mined at the time of production.

As part of the technical study, an economic analysis was performed for the period 2011 through 2020 which considered coal prices and unit operating costs consistent with historical performance and with typical coal price and unit cost inflation factors incorporated into the model. On this basis, the technical report shows a pretax net present value (NPV) of US$39 million at a 12% per annum discount rate.

Selected Annual Information

All Currency amounts are in Canadian dollars unless stated otherwise.

	For the periods ended		
	December 31, 2013	**December 31, 2012**	**December 31, 2011(restated)**
Total Revenues	$62,235,619	$55,392,400	$38,945,873
Net Loss - In Total - Basic and Diluted Loss per Share	($8,443,475) ($0.0608)	($6,218,343) ($0.0478)	($3,139,467) ($0.0265)
Total Assets	$65,027,801	$66,126,064	$59,793,813
Total Long Term Liabilities	$28,682,428	$41,654,557	$26,069,691
Cash Dividends Declared	Nil	Nil	Nil

Summary of Quarterly Results

The following table presents selected financial information of the Company for the eight most recently completed quarters.

Period	**Revenues**	**EBITDA**	**Net Loss attributed to owners of the parent**	
	$	$	$	Per share
Q2 June 30, 2014	17,510,340	2,566,472	(1,515,350)	$ (0.010)
Q1 March 31, 2014	16,481,728	2,715,171	(1,508,341)	$ (0.010)
Q4 December 31, 2013	4,892,211	2,650,132	(4,215,888)	$ (0.030)
Q3 September 30, 2013	17,873,253	3,389,459	(964,172)	$ (0.007)
Q2 June 30, 2013	15,583,114	612,595	(1,527,512)	$ (0.011)
Q1 March 31, 2013	13,887,041	1,867,749	(1,735,903)	$ (0.013)
Q4 December 31,2012	14,553,219	2,787,335	(2,574,628)	$ (0.020)
Q3 September 30, 2012	4,741,010	3,281,155	(956,625)	$ (0.007)

In Q2 2014, the Company recorded a loss of $1.5 million compared to a loss of $1.5 million in the previous year. A number of factors contributed to the Q2 2014 loss including increased depreciation, amortization and depletion arising from a larger asset base, debenture issue amortization and accretion expenses and a loss on the sale of mining equipment. The majority of these factors are non-cash related and therefore do not impact the Company's EBITDA from Operations and Free Cash Flow.

In Q1 2014, the Company recorded a loss of $ 1.5 million compared to a loss of $1.8 million in the previous year. A number of factors contributed to the Q1 2014 loss including increased depreciation, amortization and depletion arising from a larger asset base, debenture issue amortization and accretion expenses and a foreign exchange loss on conversion of the US$ denominated portion of the Company's debenture maturing in August 2016. The majority of these increases are non-cash related and therefore do not impact the Company's EBITDA from Operations and Free Cash Flow.

In Q4 2013, the Company recorded a loss of $4.2 million compared to a loss of $2.3 million in the previous year. During the quarter, the Company recorded a $2.4 million impairment provision respecting its investment in the Buick coal project. The Company has determined that current development opportunities for the project are limited and that the project it will not be pursued.

In Q3 2013, the Company recorded a loss attributable to shareholders of the parent of $1.0 million compared to a loss of $1.0 million in the previous year. Excluding debenture accretion costs and stock based compensation (both non-cash charges) the Q3 2013 loss was $375,000, a significant improvement over previous quarters. From a tonnage mined and sold perspective, Q3 was a strong quarter with all of the Company's new mines fully opened and operational. Coal production was 206,000 tons and sales were 195,750 tons, a 16% increase over the previous quarter. Both results were records for the Company. Q3 EBITDA was also a record result for the Company and 29% higher than the previous quarter. Free cash flow was $1.7 million, also a record for the Company.

In Q2 2013, the Company recorded a loss attributed to the owners of the parent of $1.5 million compared to a loss of $1.5 million in the previous year. Q2 operating results were improved over both Q1 2013 and Q2 in the prior year. During the quarter, the Company ceased mining at Bear Creek and opened the Knight and Posey Mill 2 mines. Neither of the new mines operated at full production level efficiency and this impacted Q2 results, particularly in the April and May period. That said, both mines production performance improved steadily with the Company achieving production and sales results in excess of 60,000 tons for the month of June.

Offsetting improved operating results, were a number of factors including increased depreciation, amortization and depletion arising from a larger asset base, increased financing charges related to additional equipment financing and debenture issuances in 2012, increased debenture issue amortization and accretion expenses and an unrealized foreign exchange loss on the Company's US$ denominated debt.

For the three month period ended March 31, 2013, the Company recorded a loss of $1.7 million compared to a loss of $1.2 million in the previous period. The Company recorded a loss from mining operations of $180,327. The quarter was characterized by the completion of mining operations at Old Union, the wind down of operations at Bear Creek (mining ceased in early May 13), the start of operations at the second and third pits at Old Union 2 as well as the completion of mine development and initial start-up of operations at the Knight mine. Put simply, this transition resulted in operational performance challenges as neither the mines being closed nor the new mines being opened operated at full production level efficiency.

Other ongoing factors contributing to the 2013 loss are increased depreciation, amortization and depletion arising from a larger asset base and increased financing charges related to additional equipment financing and debenture issuances in 2012.

For the three month period ended December 31, 2012, the Company reported a loss of $2.6 million as compared to a restated loss of $1.6 million in the previous year. The Company recorded $2.1 million (pre-tax) in provisions related to impairments and error corrections and estimate changes to mineral property and asset retirement amortization, which contributed to the loss. The Company recorded a loss of mining operations of $284,975 after recording the additional amortization related to mineral properties and asset retirement obligations described. General and administration costs were $981,000. Other expenses were significantly higher than the comparable period in 2011 due to a $960,000 provision for asset impairments as well as higher interest, debenture related costs and stock based compensation and an $184,000 allowance for doubtful accounts.

For the three month period ended September 30, 2012, the Company reported a loss of $1.0 million as compared to a restated loss of $0.4 million in the previous year. The Company achieved income from mining operations of $1.6 million compared to $0.7 million in the previous year. This was offset by other expenses (including general and administrative), which totalled $2.4 million compared to $1.2 million in the previous year. Other expenses included $0.6 million in non-cash charges such as stock based compensation expense and debenture issue cost and accretion expense. Tax expense was $44,000 compared to a small credit in the previous year due to income earned at the Company's BCC subsidiary. The Company also allocated $54,000 to non-controlling interest.

Liquidity and Capital Resources

Capital Resources

2014 Activity

Refer also to previous discussion in "Liquidity and Financial Position" section

May 2014 Debenture Refinancing

Effective May 23, 2014, the Company closed a $14 million private placement of units ("**Units**"). Each Unit is comprised of $1,000 principal amount of 12% non-convertible secured debentures ("Debentures") and 670 common share purchase warrants ("Warrants"). As part of the financing, approximately 9.4 million Warrants were issued that entitle the holders to purchase one common share of CanAm ("Common Share") at a price of $0.065 per share for a period of 4 years from the closing date. The Warrants are subject to a four month hold period that will expire on September 23, 2014.

The proceeds from the offering were primarily used for the repayment of the Company's 10% and 9.5% debentures and related interest which matured on May 8, 2014 and on May 9, 2014.

Insiders participated in the new debenture for approximately $2.6 million and approximately 1.7 million warrants were issued to such insiders. The exercise of the warrants issued to the insiders was subject to disinterested shareholder approval which the Company received at its July 25, 2014 AGM.

Richardson GMP was paid a broker's fee and received broker's warrants in compensation for acting as the agent in connection with the Offering.

Debt to Equity Conversion

Effective August 1, 2014, the Company completed its debt to equity conversion transaction (the "Debt to Equity Repurchase Transaction"). Pursuant to the closing of the Debt to Equity Repurchase Transaction, the Company repurchased $7.3 million in outstanding 2016 Debentures held by related parties (the "Insiders"). In addition, the Company repurchased $330,000 in outstanding 2016 Debentures held by certain other debentureholders (the "Other Debentureholders"). In consideration for the repurchase from the Insiders, the Company issued 121,806,667 common shares of the Company at a price of $0.06 per common share. The Other Debentureholders received 6,600,000 common shares of the Company at a price of $0.05 per common share and received 5,280,000 common share purchase warrants (the "Warrants"). Each Warrant is exercisable at a price of $0.0625 per common share for a period of two years from closing. The common shares issued in connection with the offering are subject to a four month hold period that expires on November 30, 2014. The Debt to Equity Repurchase Transaction was conducted to meet the requirements of a new covenant put in place in April 2014 by the Company's US equipment lender and by completing the Debt to Equity Repurchase Transaction described herein, the Company has satisfied such requirement.

Pursuant to the closing of the Debt to Equity Repurchase Transaction, a new "control person", as defined by the TSX Venture Exchange being a number of individuals that hold more than 20% of the outstanding voting shares of the Company, was created. Following the closing, each of Robert Lewis and Thomas Lewis own approximately 17.22% of the issued and outstanding Common Shares and Wayne Bass owns approximately 10.32% of the issued and outstanding Common Shares, all on an undiluted basis, and in combination, Robert Lewis, Thomas Lewis and Wayne Bass hold approximately 44.76% of the issued and outstanding Common Shares.

The Debt to Equity Repurchase Transaction and the creation of a new control person of CanAm were both approved by disinterested shareholders at the Annual General and Special Meeting of Shareholders on July 25, 2014.

<u>2013 Activity</u>

During the second quarter the Company completed a private placement of 13,077,675 units at a price of $0.08 per unit for net proceeds of $1,036,326. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at $0.12 per common share for a period of one year from closing. The common shares issued in connection with the offering were subject to a four month hold period that expired on October 21, 2013.

<u>2012 Activity</u>

In March of 2012, a total of 900,000 shares were issued pursuant to a private placement of 900,000 units for gross proceeds of $153,000. Each unit consists of one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for a period of 2 years at an exercise price of $0.22 per common share.

In June 2012, the Company and its subsidiaries entered an agreement with a major US bank to refinance substantially all of its equipment debt at an interest rate of 3.25%.

During Q2 2012, a total of 1,886,000 warrants were exercised for proceeds of $283,000 and 574,500 warrants expired.

In order to finance the acquisition of 30% ownership in BCC, the Company closed a non-brokered private placement offering (the "Offering") of 13,165 units ("Units") at a price of CDN$1,000 (and/or its US dollar equivalent) per Unit for total proceeds of CDN$13,143,000. Each Unit is comprised of a $1,000 principal amount of 9.5% non-convertible and unsecured debentures ("Debentures"), 1,250 2012 series A common share purchase warrants ("Series a Warrants") and 1,000 2012 series B common share purchase warrants ("Series B Warrants"). The Debentures have a term of four years with a partial repayment feature that is triggered upon the achievement of a certain production level. The Series a Warrants have an exercise price of CDN$0.20 and a term of four years, and the Series B Warrants have an exercise price of CDN$0.25 and a term of four years. $11,505,682 of the offering was used to acquire an additional 30% of BCC, as previously described. The remainder of the offering is for general corporate purposes.
Both warrants include a forced conversion feature effective August 2013, whereby warrants are required to be exercised if the Company's common shares trade above a certain price for any 25 consecutive trading days. The price is $0.35 for the A warrants and $0.4375 for the B warrants.

Certain directors and officers of the Company subscribed under the Offering for CDN$860,000 aggregate principal amount Debentures, an aggregate of 1.1 million Series A Warrants and an aggregate of 0.9 million Series B Warrants.

In September 2012, the Company completed a non-brokered private placement of 960,000 units at $0.13 per unit. Each unit consists of one common share and one-half share purchase warrant. Each full warrant entitles to holder to purchase one common share for a period of 2 years at an exercise price of $0.17 per share.

Funds raised through the various equity and debt instruments will be used to fund the Company's acquisition strategy, its capital expenditure program and for general corporate purposes.

Risks and Uncertainties

The exploration and development of natural resources are highly speculative in nature and are subject to significant risks. The risk factors which should be taken into account in assessing the Company's activities include, but are not necessarily limited to, those set out below. These risks are not intended to be presented in any assumed order of priority. Any one or more of these risks could have a material effect on the Company and should be taken into account in assessing the Company's activities.

Alabama Coal Mine Operations

The Company's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, rock falls, seismic activity; flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. In addition, the Company is subject to a number of other risks including but not limited to volatility of coal prices, marketability of the coal, governmental regulations and processing of licenses and permits and environmental regulation and liability.

Related party transactions

Key management includes Directors (executive and non-executive) and Executive Officers of the Company and its subsidiary BCC. The compensation paid or payable to key management is as follows:

	June 30 2014	June 30 2013
Salaries, consulting fees and director fees	$ 424,037	$ 559,636
Other benefits	36,574	24,264
Stock-based compensation	62,436	163,866
	$ 523,047	$ 747,766

Certain members of key management are entitled to termination benefits for termination without cause totaling $500,000 (2013 - $500,000) or for a change of control event totaling $500,000 (2013 - $1,000,000).Termination benefits in the event of a change of control are a function of the market capitalization of the Company at the time of the change of control.

Included in accounts payable and accrued liabilities and debentures is $171,000 (December 31, 2013 - $253,000) and $11,017,753 (December 31, 2013 - $10,676,825) respectively, due to related parties. The amounts payable to related parties are due to Directors and executive officers of the Company or to companies controlled by them.

BCC is involved in various commercial transactions with its minority shareholders including the rental of equipment and office space as well as the payment of mining royalties. For the six months ended June 30, 2014, the Company incurred rental, royalty and guarantee fees expenses of $956,366 (2013 – $556,102). As at June 30, 2014, the Company has a net receivable of $199,174 (December 31, 2013 – $495,231) due from entities controlled by its minority shareholders. All transactions associated with these related party entities are measured at the exchange amount and are in the normal course of operations.

On August 28, 2014, Robert Lewis and Thomas Lewis provided Birmingham Coal & Coke with a short term loan of US$500,000 with a maturity date of November 12th, 2014 at an interest rate of 10%.

Off-Balance Sheet Arrangements

At June 30, 2014, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Letters of credit and operating facility

At June 30, 2014, the Company had lines of credit with a financial institution totaling $4,270,400 (December 31, 2013 – 4,254,400) which provides for operational needs and letters of credit. These lines of credit bear interest at 3% in excess of the LIBOR rate and mature September 2014. Borrowings are secured by the Company's accounts receivable, coal inventory, and equipment. As at June 30, 2014 the Company has outstanding borrowings of $1,601,400 (December 31, 2013 - $1,595,400) on these facilities. As at June 30, 2014 funds available under these facilities have been reduced by letters of credit of $1,616,665 (December 31, 2013 - $1,719,485) issued pertaining to the Company's bonding program.

Commitments and contingencies

<u>Future Minimum Payments</u>

At June 30, 2014, the Company is party to certain contracts relating to minimum coal royalties, equipment rent and office rent as follows:

2014	$ 1,111,757
2015	2,607,236
2016	1,842,246
2017	344,716
	$ 5,905,955

The Company is involved in potential litigation matters arising out of the ordinary course and conduct of its business. The likelihood of contingent liabilities resulting from these matters is not determinable and related potential losses cannot be reasonably estimated. No accrual of loss has been made to the consolidated financial statements.

<u>Performance bonds</u>

As at June 30, 2014 the Company had outstanding performance bonds of $16 million (December 31, 2013 - $15 million) to secure reclamation performance commitments. The Company has provided collateral on its performance bonds in the form of cash of approximately of $0 (December 31, 2013 – $373,323), equipment of $213,520 (December 31, 2013 – $425,440) and letters of credit of $3.0 million (December 31, 2013 – $2.4 million). The Company has also provided a security interest over accounts receivable, coal inventory and equipment to financial institutions that have issued these letters of credit (Note 18).

New and future accounting pronouncements

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2013. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

Impact of the application of IAS 1

The amendments to IAS 1 requires companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The consolidated statement of comprehensive loss in these consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

Impact of the application of IFRS 10

As a result of the adoption of IFRS 10, the Company has changed its accounting policies with respect to determining whether it has control over and consequently consolidates its investees. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In accordance with the transitional provisions of IFRS 10, the Company has re-assessed the control conclusion for its investees at January 1, 2013 and concluded that the new standard will not change its control conclusion in respect of its investment in its subsidiaries.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. The application of IFRS 11 has no impact on the consolidated financial statements as the Company has no interests in joint arrangements.

Impact of the application of IFRS 12

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of IFRS 12 has had no impact on the consolidated financial statements.

Impact of the application of IFRS 13

The Company has applied the requirements of IFRS 13 Fair Value Measurement in the current period. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. In general, the application of IFRS 13 will result in additional disclosures in the consolidated financial statements (see Note 17).

Impact of the application IFRIC 20

IFRIC 20 was issued by the IASB to address accounting issues regarding waste removal costs incurred in surface mining during the production phase of a mine, referred to as production stripping costs. The new interpretation addresses the classification and measurement of production stripping costs as either inventory or as a tangible non-current "stripping activity asset". The standard also provides guidance for the depreciation or amortization and impairment of such assets. IFRIC 20 was effective for reporting years beginning on or after January 1, 2013. The application of IFRIC 20 has had no impact on the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Company.

Impact of the early adoption of IAS 36

IAS 36 "Impairment of assets" has been amended to reverse the unintended requirements in IFRS 13 to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments were required to be applied retrospectively for years beginning on or after January 1, 2014. The Company elected to early adopt these amendments effective January 1, 2013. The adoption of these amendments does not have any impact on the Company's consolidated financial statements.

Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. An effective date for adoption has not yet been determined. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard on the consolidated financial statements.

Additional disclosure concerning CanAm's Accounting Policies is provided in the Company's Notes to the Consolidated Financial Statements, which is contained in its Consolidated Financial Statements for December 31, 2013. These financial statements can be found on CanAm's web site at www.canamcoal.com or through www.sedar.com. Additional information relating to CanAm is filed on www.sedar.com

Summary of Outstanding Share Data as at August 29, 2014

(1) Authorized share capital:
Unlimited number of voting common shares
20,000,000 non-voting preferred shares

(2) Shares issued and outstanding:
273,453,912 common shares outstanding with a recorded value of $27,121,750.

(3) Options outstanding:

13,415,000 options outstanding to purchase common shares at an exercise price of $0.055 – $0.25 with a weighted average of $0.14. These options expire 2014 – 2023.

(4) Warrants outstanding:

64,806,950 warrants outstanding to purchase common shares at an exercise price of $0.055 to $0.25 with a weighted average of $0.15. These warrants expire in 2014 - 2018.

EBITDA from operations and Free Cash Flow

Statements throughout this MD&A make reference to EBITDA from operations and Free Cash Flow which are non-IFRS financial measures commonly used by financial analysts in evaluating financial performance of companies, including companies in the mining industry. Accordingly, management believes EBITDA from operations and Free Cash Flow may be a useful metric for evaluating the Company's performance as it is a measure management uses internally to assess performance, in addition to IFRS measures. As there is no generally accepted method of calculating EBITDA from operations and Free Cash Flow, the terms used herein are not necessarily comparable to similarly titled measures of other companies. The items excluded from EBITDA from operations and Free Cash Flow are significant in assessing the Company's operating results and liquidity. EBITDA from operations and Free Cash Flow have limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income or other data prepared in accordance with IFRS. EBITDA from operations is calculated as income from mining operations plus depreciation, depletion, accretion and amortization less general and administrative costs. Free Cash Flow is calculated as EBITDA from operations less financed and non-financed capital expenditures. Other financial data has been prepared in accordance with IFRS.

Forward Looking Information

This management's discussion and analysis contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information includes, but is not limited to, information concerning the business of CanAm Coal Corp. ("CanAm") and matters relating thereto. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management at the date the information is made, and is based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Assumptions upon which such forward-looking information is based include factors and events that are not within the control of CanAm and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking information include changes in market conditions, variations in coal recovery rates, risks relating to international operations, fluctuating coal prices and currency exchange rates, changes in project parameters, the possibility of project cost overruns or unanticipated costs and expenses, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, the business of the companies not being integrated successfully or such integration proving more difficult, time consuming or more costly than expected. Although CanAm has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. CanAm undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws.