Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
First Quarter Ended October 31, 2014

(Unaudited - Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

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

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(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

	Note	October 31, 2014 $	July 31, 2014 $
Assets			
Current assets			
Cash		2,377,832	2,880,454
Short term investments		66,000	66,000
Receivables and prepaids	4	43,694	48,818
Marketable securities	5	29,698	69,478
		2,517,224	3,064,750
Coal properties and deferred exploration	6	9,772,467	9,654,459
Reclamation deposits		203,200	203,200
Equipment		9,166	10,026
Deferred acquisition costs	7	1	1
		9,984,834	9,867,686
		12,502,058	12,932,436
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		184,957	146,238
Due to related parties	10	60,195	11,207
Loans payable to related party	8	297,399	289,233
		542,551	446,678
Amounts Attributable to Shareholders			
Share capital	9	24,021,826	24,021,826
Contributed surplus		5,992,500	5,992,500
Deficit		(18,015,040)	(17,528,568)
Accumulated other comprehensive income		(39,779)	-
		11,959,507	12,485,758
		12,502,058	12,932,436

Going concern (Note 1)

Commitments (Notes 9 and 11)

On behalf of the Board

(signed) "Ian Downie" (signed) "David Austin"

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended October 31, 2014 and 2013

(Unaudited - Expressed in Canadian dollars)

	Note	2014 $	2013 $
Expenses			
Amortization		860	570
Business investigation		114,882	-
Consulting	10	54,918	49,943
Directors' fees	10	4,500	13,500
Exploration expense	6	-	36,059
Filing and listing fees		1,092	1,217
Foreign exchange loss		469	3,637
Management fees	10	127,500	133,500
Office and administration		58,958	47,873
Professional fees	10	45,014	60,421
Salaries and benefits		35,000	35,000
Shareholder communications		6,552	3,266
Travel and promotion		40,648	30,682
Workers compensation fees		3,121	3,870
		(493,514)	(419,538)
Other income			
Interest income		7,042	9,562
Net loss for the period		(486,472)	(409,976)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Unrealized (loss) gain on marketable securities		(39,779)	44,000
Total other comprehensive (loss) income for the period		(39,779)	44,000
Comprehensive loss for the period		(526,251)	(365,976)
Basic and diluted net loss per common share		(0.01)	(0.01)
Weighted average number of common shares outstanding		65,091,896	65,091,896

Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2014 and 2013

(Unaudited - Expressed in Canadian dollars)

	Issued Share Capital					
	Number of Shares #	**Amount $**	**Contributed Surplus $**	**AOCI $**	**Deficit $**	**Total $**
Balance at July 31, 2014	65,091,896	24,021,826	5,992,500	-	(17,528,568)	12,485,758
Total comprehensive loss for the period	-	-	-	(39,779)	(486,472)	(526,251)
Balance at October 31, 2014	65,091,896	24,021,826	5,992,500	(39,779)	(18,015,040)	11,959,507
Balance at July 31, 2013	65,091,896	24,021,826	5,992,500	-	(12,452,594)	17,561,732
Total comprehensive loss for the period	-	-	-	44,000	(409,976)	(365,976)
Balance at October 31, 2013	65,091,896	24,021,826	5,992,500	44,000	(12,862,570)	17,195,756

The accompanying notes are an integral part of these consolidated financial statements.

Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended October 31, 2014 and 2013

(Unaudited - Expressed in Canadian dollars)

	2014 $	2013 $
Cash flows (used in) from operating activities		
Net loss for the period	(486,472)	(409,976)
Items not affecting cash		
Amortization	860	570
Interest income	(7,042)	(9,562)
	(492,654)	(418,968)
Interest received	8,205	10,492
Changes in non-cash operating working capital		
Change in receivables and prepaids	3,961	(8,672)
Change in accounts payable and accrued liabilities	41,740	(8,938)
Change in due to related parties	48,988	25,233
	(389,760)	(400,853)
Cash flows used in investing activities		
Deferred exploration costs	(112,862)	(298,634)
Deferred acquisition costs	-	(265,222)
Reclamation deposit	-	(128,200)
	(112,862)	(692,056)
Decrease in cash	(502,622)	(1,092,909)
Cash - Beginning of the period	2,880,454	3,622,201
Cash - End of the period	2,377,832	2,529,292
Supplemental cash flow information		
Interest paid with cash	-	-
Taxes paid with cash	-	-

Non-cash transactions (Note 12)

(Unaudited - Expressed in Canadian dollars)

1 Organization, nature of operations and going concern

Colonial Coal International Corp. (the "Company") was incorporated pursuant to the Business Corporations Act of Alberta on August 1, 2007. The Company's corporate head office is located at Suite 200 – 595 Howe Street, Vancouver, British Columbia, Canada. The Company is listed for trading on the TSX Venture Exchange under the symbol "CAD".

The Company's principal activities include the acquisition, exploration and development of coal properties located in Canada. The Company is also pursuing the acquisition of Watson Island, located just outside of Prince Rupert, British Columbia, for the purpose of developing a seaport terminal and supporting industrial park.

The recoverability of amounts shown as coal properties and deferred exploration is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its coal properties. The Company has incurred losses since inception and expects to incur further losses in the development of its business and at October 31, 2014, the Company had an accumulated deficit of $18,015,040 which has been funded primarily by the issuance of equity. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its coal properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2014 except as outlined in Note 3.

(Unaudited - Expressed in Canadian dollars)

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended July 31, 2014.

These financial statements were approved by the board of directors for use on December 16, 2014.

3 Changes in accounting policies including initial adoption

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2014.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

- IFRIC 21, "*Levies*", provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

- IAS 32, "*Financial Statements: Presentation*", has been amended to clarify some of the requirements for offsetting financial assets and liabilities on the balance sheet.

The following new standards have been issued but not yet applied:

(i) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This new standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company has not assessed the impact of this standard.

(Unaudited - Expressed in Canadian dollars)

(ii) IFRS 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2017, with early adoption permitted. The Company has not assessed the impact of this standard.

4 Receivables and prepaids

	October 31, 2014 $	July 31, 2014 $
GST recoverable	27,894	22,763
Prepaid expenses and other	15,800	26,055
Total	43,694	48,818

5 Marketable securities

	October 31, 2014 $	July 31, 2014 $
Portfolio investments in securities of public companies		
Acquisition cost	679,038	679,038
Accumulated unrealized holding losses	(39,779)	-
Impairment of marketable securities	(609,560)	(609,560)
Carrying value	29,698	69,478

The Company has less than a 1% interest in certain public companies. Investments in securities having quoted market values and which are publicly traded are recorded on the basis of period-end market bid quotations.

(Unaudited - Expressed in Canadian dollars)

6 Coal properties and deferred exploration (Schedule 1)

	October 31, 2014 $	July 31, 2014 $
Huguenot property, B.C. a)	9,707,316	9,616,396
Flatbed property, B.C. b)	65,151	38,063
	9,772,467	9,654,459

a) The Company owns a 100% interest in thirty-two coal licenses covering an area of 22,893 hectares and commonly referred to as the Huguenot property located in the Liard Mining Division, northeastern British Columbia.

The Huguenot property is subject to a 1.5% production royalty, including 1.2% which is payable to certain directors of the Company. A pre-production royalty is payable at the rate of $62,500 per month commencing April 1, 2015 and ending on the date on which production commences. During the year ended July 31, 2013, the royalty agreement was amended such that the commencement date of the proposed pre-production royalty was changed from April 1, 2013 to April 1, 2014. During the year ended July 31, 2014 the Company negotiated a further one year extension to April 1, 2015 for the commencement date of this pre-production royalty.

b) The Company owns a 100% interest in seven coal licenses covering 9,077 hectares and commonly referred to as the Flatbed property located in the Liard Mining Division, northeastern British Columbia. A further 2,400 hectares are under application.

During the three months ended October 31, 2014, the Company incurred $27,088 (2013 - $36,059) of exploration expenditures on the Flatbed property. The expenditures during the three months ended October 31, 2013, were incurred prior to the Company receiving coal licenses from the B.C. Ministry of Energy and Mines and accordingly were charged to the statement of comprehensive loss.

7 Deferred acquisition costs

	October 31, 2014 $	July 31, 2013 $
Acquisition costs incurred	3,395,513	3,395,513
Less: write-down	(3,395,512)	(3,395,512)
Deferred acquisition costs	1	1

The Company owns 100% of Watson Island Development Corporation ("WatCo"), a company formed to purchase or acquire Watson Island, located near Prince Rupert, British Columbia, for the purpose of the development of a deep sea port and industrial project. As consideration for 45% of the Company's interest in

(Unaudited - Expressed in Canadian dollars)

WatCo, the Company has agreed to pay a former shareholder of WatCo 10% of the proceeds of future financings by WatCo to a maximum of $800,000.

In July 2012, the City of Prince Rupert ("COPR") accepted an offer from WatCo to purchase Watson Island, subject to a number of conditions. Sale conditions included the development, approval and funding of a remediation plan for the land, which is contaminated as a result of decades of pulp mill operation. It was also a requirement of the purchase that WatCo would not be obligated for any historical environmental liabilities on Watson Island beyond a proposed lump sum financial contribution to an environmental remediation plan. At the time of entering into the offer to purchase, WatCo had been, and was to continue, funding the land expense costs of Watson Island and offered to fund the planning process and to make a significant contribution to the environmental remediation plan, pending provincial government approval. Other conditions included notice requirements of the local governments, resolution of current court actions against the local governments by Sun Wave Forest Products Ltd. ("Sun Wave"), relating to the title to Watson Island, and historic licensing and regulatory issues.

The COPR settled with Sun Wave in August 2013 and WatCo and the COPR subsequently negotiated to settle the terms of a definitive agreement. In the course of negotiations with the COPR, WatCo eventually accepted all of the terms of the definitive agreement proposed by the COPR and the COPR then advised that it would not proceed with the sale of Watson Island to WatCo. WatCo has commenced litigation in the British Columbia Supreme Court against the COPR to enforce WatCo's rights in connection with the acquisition of Watson Island. A Certificate of Pending litigation has been filed to prevent the land from being sold to others while the litigation is outstanding.

Management reviewed the carrying value of deferred acquisition costs as at July 31, 2014 and in view of uncertainties, wrote down the deferred costs to a nominal amount of $1, recognizing an impairment charge of $3,395,512. The Company is continuing with its litigation against the COPR to enforce WatCo's rights in connection with the acquisition.

During the three months ended October 31, 2014, the Company incurred a further $114,842 in legal and other costs associated with the proposed acquisition of Watson Island. These costs have been expensed as business investigation costs.

8 Loans payable to related party

	October 31, 2014	**July 31, 2014**
	$	**$**
Loans payable to related party	297,399	289,233

During the year ended July 31, 2014, the Company entered into an arrangement with Tuya Energy Inc. ("Tuya"), a private company with five directors in common, whereby Tuya agreed to advance up to $270,000 to the Company to help fund the Company's proposed acquisition of Watson Island (Note 7). Tuya has advanced the principal amount of $270,000 to the Company in three tranches. The advances bear interest at the rate of 12% per annum and are payable on demand.

(Unaudited - Expressed in Canadian dollars)

9 Share capital

a) Authorized

An unlimited number of common shares without par value.
An unlimited number of preferred shares issuable in series without par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at October 31, 2014.

b) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board.

The Company's stock options outstanding as at October 31, 2014 and July 31, 2014 and the changes for the periods then ended are as follows:

	Number of options	Weighted Average Exercise price $	Weighted Average Remaining Contractual Life (Years)
Balance – July 31, 2014	4,845,000	0.77	6.19
Balance, outstanding and exercisable – October 31, 2014	4,845,000	0.77	5.94

Options to acquire common shares outstanding at October 31, 2014 are as follows:

Number Outstanding	Exercise Price $	Expiry Date
4,845,000	0.77	October 7, 2020

(Unaudited - Expressed in Canadian dollars)

10 Related party transactions

Related party transactions during the three months ended October 31, 2014 and 2013 not disclosed elsewhere in these consolidated financial statements are as follows:

	2014 **$**	**2013** **$**
Consulting fees	7,500	7,500
Directors' fees	4,500	13,500
Management fees	127,500	133,500
Professional fees	22,700	20,700
	162,200	175,200

Amounts due to related parties at October 31, 2014 amounting to $60,195 (July 31, 2014 - $11,207) are non-interest bearing and have no specific terms of repayment.

Related party transactions are comprised of services rendered by directors and/or officers of the Company and companies controlled by them or persons associated with them, and Tuya Energy Inc. which has five directors in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

The compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Operating Officer and directors for services rendered during the three months ended October 31, 2014 and 2013 is as follows:

	2014 **$**	**2013** **$**
Directors' fees	4,500	13,500
Management fees	127,500	133,500
	132,000	147,000

11 Commitments

a) The Company is committed under the terms of a royalty agreement in respect of its interest in the Huguenot property (Note 6 a).

b) The Company is committed under the terms of an office lease agreement that expires on June 30, 2016 for the following annual rent and estimated operating costs:

(Unaudited - Expressed in Canadian dollars)

	Amount $
Year ending July 31, 2015	56,300
Year ending July 31, 2016	68,800
	125,100

12 Non-cash transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the three months ended October 31, 2014, the following transactions were excluded from the consolidated statements of cash flows:

a) Deferred exploration expenditures of $33,997 included in accounts payable and accrued liabilities at October 31, 2014, less expenditures included in accounts payable and accrued liabilities at July 31, 2014 of $28,851 (net exclusion of $5,146).

During the three months ended October 31, 2013, the following transactions were excluded from the consolidated statement of cash flows:

a) Deferred exploration expenditures of $148,817 included in accounts payable and accrued liabilities at October 31, 2013, less expenditures included in accounts payable and accrued liabilities at July 31, 2013 of $206,937 (net inclusion of $58,120); and

b) Deferred acquisition costs of $3,691 included in accounts payable and accrued liabilities at October 31, 2013, less acquisition costs included in accounts payable and accrued liabilities at July 31, 2013 of $55,334 (net inclusion of $51,643).

13 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at October 31, 2014 and July 31, 2014, all the operations and assets were in Canada.

Colonial Coal International Corp.

Schedule 1

(An Exploration Stage Company)

Consolidated Schedule of Deferred Exploration Costs

For the three months ended October 31, 2014 and the year ended July 31, 2013

(Unaudited - Expressed in Canadian dollars)

	Huguenot property	Flatbed property	Total
	$	$	$
Balance at July 31, 2013	11,225,981	-	11,225,981
Field programs	88,420	8,394	96,814
Consultants and contractors	379,040	107,438	486,478
Licenses and fees	40,791	(436)	40,355
Laboratory	47,685	-	47,685
Public relations and First Nations	413	413	826
Project administration	76,992	23,638	100,630
B.C. Mining Exploration Tax Credits	(2,242,926)	-	(2,242,926)
Less: amount expensed	-	(101,384)	(101,384)
	(1,609,585)	38,063	(1,571,522)
Balance at July 31, 2014	9,616,396	38,063	9,654,459
Field programs	11,092	1,090	12,182
Consultants and contractors	46,531	18,327	64,858
Licenses and fees	18,090	-	18,090
Laboratory	450	-	450
Project administration	14,757	7,671	22,428
	90,920	27,088	118,008
Balance at October 31, 2014	9,707,316	65,151	9,772,467