



TSX-V: CAD

Colonial Coal International Corporation

Dear Shareholder:

Coal Projects Update

Although 2013 was a difficult time for global equity and commodity markets, our Company did reach some important milestones. In regards to the Huguenot Project, we have increased our overall resource tonnage to 397 million tonnes (in all categories) which is much greater than we had initially expected. We also completed a Preliminary Economic Assessment (PEA).

Our exploration focus is now moving to the Flatbed Project as we consider it to have the best short term potential for increasing return on investment for shareholders. Flatbed is currently waiting to be licensed; we have been notified that the licence applications have been forwarded to First Nations for consultation. A work program will commence once the coal licences have been approved, work permit issued, and exploration contracts are in place. We are currently investigating the acquisition of data from seismic and drilling programs conducted by oil and gas exploration companies, which will enable us to conduct a more focussed exploration drilling program.

The decline in the Canadian dollar relative to the US dollar is beneficial to the Canadian coal industry. It benefits Colonial in terms of the value of future coal production from the Huguenot Project as shown in the table below, which presents net present values (NPV's) at various exchange rates. The table adjusts NPV's presented in the PEA and reports the results in Canadian dollars. A US\$150.00/tonne selling price has also been included.

Best wishes to all,

David Austin

President and CEO

February 28, 2013



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Huguenot Coal Project Summary of Financial Analysis For Exchange Rate Variances Results in Canadian Dollars

Exchange Rate Case	NPV (CAN\$millions) @ DISCOUNT RATES OF				IRR
	0%	5%	7.50%	10%	(%)
\$1.00 CAN = \$1.00 US					
Coal Price US\$225/t	5,553.8	2,634.1	1,910.0	1,419.9	49
Base Case Coal Price US\$192.50/t	3,539.4	1,578.6	1,099.9	779.7	32
Coal Price US\$165/t	1,834.9	680.0	407.5	230.2	16
Coal Price US\$150/t	905.3	179.1	16.9	(83.4)	8
\$1.00 CAN = \$0.95 US					
Coal Price US\$225/t	6,139.2	2,948.5	2,153.0	1,612.7	54
Base Case Coal Price US\$192.50/t	4,018.2	1,837.3	1,300.3	939.1	36
Coal Price US\$165/t	2,223.8	894.5	575.3	364.9	20
Coal Price US\$150/t	1,244.5	372.4	170.4	41.5	11
\$1.00 CAN = \$0.90 US					
Coal Price US\$225/t	6,780.5	3,292.9	2,419.2	1,824.0	60
Base Case Coal Price US\$192.50/t	4,542.4	2,120.4	1,519.5	1,113.2	41
Coal Price US\$165/t	2,648.8	1,127.3	756.1	510.1	24
Coal Price US\$150/t	1,615.5	580.2	334.1	173.7	15
\$1.00 CAN = \$0.85 US					
Coal Price US\$225/t	7,497.7	3,678.0	2,716.8	2,060.2	66
Base Case Coal Price US\$192.50/t	5,134.3	2,439.9	1,766.8	1,309.7	46
Coal Price US\$165/t	3,124.2	1,386.4	958.2	670.7	28
Coal Price US\$150/t	2,030.9	810.7	515.0	319.2	19
\$1.00 CAN = \$0.80 US					
Coal Price US\$225/t	8,315.9	4,117.4	3,056.5	2,329.8	72
Base Case Coal Price US\$192.50/t	5,798.2	2,798.5	2,044.5	1,530.3	51
Coal Price US\$165/t	3,667.3	1,682.0	1,187.7	853.4	33
Coal Price US\$150/t	2,505.1	1,072.2	719.3	482.8	23

Note:

Values above represent the single contingency case which incorporates a 15% contingency on capital costs.