Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2017 and 2016

(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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)

	Note	October 31, 2017 $	July 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents		5,035,637	6,371,293
Short term investments		88,038	88,038
Receivables and prepaids	4	107,638	120,165
		5,231,313	6,579,496
Coal properties and deferred exploration	5	12,078,930	10,979,331
Reclamation deposits		222,300	222,300
Equipment		10,900	11,748
Deferred acquisition costs	6	1	1
		12,312,131	11,213,380
		17,543,444	17,792,876
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		294,875	260,190
Due to related parties	8	33,478	28,601
		328,353	288,791
Equity Attributable to Shareholders			
Share capital	7	32,070,801	32,070,801
Contributed surplus		8,206,884	8,202,631
Deficit		(23,062,594)	(22,769,347)
		17,215,091	17,504,085
		17,543,444	17,792,876

Commitments (Notes 5 and 9)

Approved by the Board of Directors

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

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

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended October 31, 2017 and 2016
(Unaudited - expressed in Canadian Dollars)

	Note	2017 $	2016 $
Expenses			
Amortization		848	902
Business investigation	6	1,116	475
Consulting	8	39,831	22,756
Director’s fees	8	5,000	4,500
Filing and listing fees		4,854	2,559
Financing costs		-	12,995
Foreign exchange loss		1,485	153
Management fees	8	124,500	121,500
Office and administration		56,649	55,359
Professional fees	8	45,746	32,440
Shareholder communications		30,629	-
Share-based payments	7(b)	4,253	-
Travel and promotion		19,169	12,525
Workers compensation fees		3,452	2,173
		(337,532)	(268,337)
Other income			
Interest and dividend income		20,135	2,022
Relinquishment of coal license applications	5	24,150	15,140
		44,285	17,162
Comprehensive loss for the period		(293,247)	(251,175)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of shares outstanding			
- Basic and diluted		148,761,057	96,808,396

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended October 31, 2017 and 2016
(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital				
	Number of Shares #	**Amount** $	**Contributed Surplus** $	**Deficit** $	**Total** $
Balance, July 31, 2016	96,808,396	27,193,476	5,992,500	(20,855,828)	12,330,148
Comprehensive loss for the period	-	-	-	(251,175)	(251,175)
Balance, October 31, 2016	96,808,396	27,193,476	5,992,500	(21,107,003)	12,078,973
Shares issued pursuant to private placement of units	51,952,661	6,046,859	1,746,040	-	7,792,899
Less: cash issuance costs	-	(714,526)	-	-	(714,526)
Less: finder's warrants	-	(455,008)	455,008	-	-
Share-based payments	-	-	9,083	-	9,083
Comprehensive loss for the period	-	-	-	(1,662,344)	(1,662,344)
Balance, July 31, 2017	148,761,057	32,070,801	8,202,631	(22,769,347)	17,504,085
Share-based payments	-	-	4,253	-	4,253
Comprehensive loss for the period	-	-	-	(293,247)	(293,247)
Balance, October 31, 2017	148,761,057	32,070,801	8,206,884	(23,062,594)	17,215,091

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended October 31, 2017 and 2016
(Unaudited - expressed in Canadian Dollars)

	2017 **$**	**2016** **$**
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(293,247)	(251,175)
Items not affecting cash		
Amortization	848	902
Interest and dividend income	(20,135)	(2,022)
Share-based payments	4,253	-
	(308,281)	(252,295)
Interest and dividends received	12,856	1,878
Net change in non-cash working capital items:		
Receivables and prepaids	(30,745)	(476)
Accounts payable and accrued liabilities	(76,578)	(39,801)
Due to related parties	4,877	1,827
	(397,871)	(288,867)
Investing activities		
Deferred exploration costs	(988,336)	(44,635)
B.C. Mining Exploration Tax Credits	50,551	-
	(937,785)	(44,635)
Decrease in cash and cash equivalents	(1,335,656)	(333,502)
Cash and cash equivalents, beginning of the period	6,371,293	1,177,590
Cash and cash equivalents, end of the period	5,035,637	844,088

Supplemental cash flow information (Note 10)

1 Organization and nature of operations

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 (the "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.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2017, which have been prepared in accordance with IFRS.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2017.

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, 2017.

These financial statements were approved by the board of directors for use on December 20, 2017.

3 Accounting standards issued but not yet applied

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

a) IFRS 9, Financial Instruments, was issued in July 2014 and replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made for use of fair value through other comprehensive income which results in changes in fair value not being recycled to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

(Unaudited - expressed in Canadian Dollars)

c) IFRS 16, Leases, was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

4 Receivables and prepaids

	October 31, 2017 **$**	**July 31, 2017** **$**
GST recoverable	63,864	30,924
B.C. Mining Exploration Tax Credit	-	50,551
Prepaid expenses and other	43,774	38,690
	107,638	120,165

5 Coal properties and deferred exploration (Schedule 1)

	October 31, 2017 **$**	**July 31, 2017** **$**
Huguenot property, B.C.	10,305,487	10,270,702
Flatbed property, B.C.	1,773,443	708,629
	12,078,930	10,979,331

a) The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 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.

b) The Company owns a 100% interest in eight coal licenses covering 9,607 hectares and commonly referred to as the Flatbed property located in the Liard Mining Division, northeastern British Columbia. The Flatbed property is subject to a 1.5% production royalty, 1.35% of which is payable to certain directors of the Company.

(Unaudited - expressed in Canadian Dollars)

c) During the three months ended October 31, 2017 the Company relinquished its interest in the Tuya River property coal licenses and was reimbursed $24,150.

6 Deferred acquisition costs

	October 31, 2017 $	July 31, 2017 $
Watson Island	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 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. 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 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 ("CPL") was immediately filed to prevent the land from being sold to others while the litigation is outstanding. The COPR subsequently asked the Court to remove the CPL so that it could sell the lands to a third party purchaser. The Court refused to remove the CPL, but required WatCo to post security of $3.2 million within 21 days to keep the CPL on title. WatCo had insufficient available capital and also the Company considered it ill-advised to post security. Consequently the CPL has now been removed from title. WatCo's claim against the COPR will now be for damages only unless Watson Island remains unsold at the time of a successful judgment.

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. The Company is continuing with its litigation against the COPR to enforce WatCo's rights in connection with the acquisition.

(Unaudited - expressed in Canadian Dollars)

During the three months ended October 31, 2017, the Company incurred $1,116 (2016 - $475) in costs associated with the proposed acquisition of Watson Island. These costs have been expensed as business investigation costs

7 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, 2017.

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, 2017 and July 31, 2017 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, 2016	4,845,000	0.77	4.19
Granted	250,000	0.25	
Balance, July 31, 2017 and October 31, 2017	5,095,000	0.74	3.01
Unvested	(187,500)	0.25	
Exercisable, October 31, 2017	4,907,500	0.76	3.01

(Unaudited - expressed in Canadian Dollars)

Options to acquire common shares outstanding at October 31, 2017 are as follows:

Expiry Date	Exercise price $	Remaining Life (years)	Options Outstanding	Unvested	Vested
October 7, 2020	0.77	2.94	4,845,000	-	4,845,000
May 1, 2022	0.25	4.50	250,000	187,500	62,500
			5,095,000	187,500	4,907,500

c) Warrants

The Company's warrants outstanding as at October 31, 2017 and July 31, 2017 and the changes for the periods then ended are as follows:

	Number of Warrants	Weighted Average Exercise Price $
Balance, July 31, 2016	-	-
Issued	29,601,467	0.28
Balance, October 31, 2017 and July 31, 2017	29,601,467	0.28

Warrants to acquire common shares outstanding at October 31, 2017 are as follows:

Expiry Date	Exercise price $	Warrants Outstanding
February 3, 2020	0.30	25,976,331
February 3, 2020 (1)	0.15	3,625,136
		29,601,467

(1) Exercisable into units comprised of one common share of the Company and one-half of a transferable common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of $0.30 per common share up to February 3, 2020.

8 Related party transactions

Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

- During the three months ended October 31, 2017 the Company incurred $18,000 (2016 - $15,000) in consulting fees paid to Shane Austin, the son of David Austin, President and CEO of the Company. The fees paid were for corporate development of the Company.

(Unaudited - expressed in Canadian Dollars)

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. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Office and directors for services provided during the three months ended October 31, 2017 and 2016 was as follows:

	2017 **$**	**2016** **$**
Director's fees	5,000	4,500
Management fees	124,500	121,500
Professional fees	-	16,000
	129,500	142,000

The compensation paid to key management was for short-term benefits.

Amounts due to related parties at October 31, 2017 amounting to $33,478 (July 31, 2017 - $28,601) are non-interest bearing and have no specific terms of repayment.

9 Commitments

a) The Company is committed under the terms of royalty agreements in respect of its interests in coal properties (Note 5).

b) The Company is committed under the terms of an office lease agreement that expires on March 31, 2020, for rent and estimated operating costs of approximately $75,000 annually.

10 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, 2017, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of $204,524 included in accounts payable and accrued liabilities at October 31, 2017, less expenditures included in accounts payable and accrued liabilities at July 31, 2017 of $93,261 (net exclusion of $111,263); and,
- Deferred exploration expenditures of $nil included in receivables and prepaids at October 31, 2017, less ($50,551) at July 31, 2017 related to B.C. Mining Exploration Tax Credits (Net exclusion of $50,551)

During the three months ended October 31, 2016, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of $14,035 included in accounts payable and accrued liabilities at October 31, 2016, less expenditures included in accounts payable and accrued liabilities at July 31, 2016 of $2,158 (net exclusion of $11,877).

11 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at October 31, 2017 and July 31, 2017, all the operations and assets were in Canada.

12 Financial instruments

The Company's financial instruments consist of cash, short term investments, receivables, reclamation deposits, accounts payable and accrued liabilities, and due to related parties. The Company has designated its cash, short term investments, receivables and reclamation deposits as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities, which are measured at amortized cost.

The Company's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

There have been no changes in any risk management policies since July 31, 2017.

Colonial Coal International Corp. **Schedule 1**

Consolidated Schedule of Deferred Exploration Costs
For the three months ended October 31, 2017 and the year ended July 31, 2017
(Unaudited - expressed in Canadian Dollars)

	Huguenot $	Flatbed $	Tuya River $	Total $
Balance, July 31, 2016	10,141,349	247,134	619,714	11,008,197
Field programs	26,683	166,647	-	193,330
Consultants and contractors	5,024	195,773	5,919	206,716
Licenses and fees	87,158	63,539	19,025	169,722
First nations	1,590	1,590	-	3,180
Project administration	8,898	73,997	-	82,895
B.C. Mining Exploration Tax Credits	-	(50,551)	(3,090)	(53,641)
Advances	-	10,500	-	10,500
Write-down of mineral property	-	-	(641,568)	(641,568)
	129,353	461,495	(619,714)	(28,866)
Balance, July 31, 2017	10,270,702	708,629	-	10,979,331
Field programs	4,470	969,460	-	973,930
Consultants and contractors	3,180	59,226	-	62,406
Licenses and fees	27,135	3,710	-	30,845
Laboratory	-	25,584	-	25,584
Project administration	-	10,663	-	10,663
Advances	-	(3,829)	-	(3,829)
	34,785	1,064,814	-	1,099,599
Balance, October 31, 2017	10,305,487	1,773,443	-	12,078,930