Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Six Months Ended January 31, 2018 and 2017

(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	January 31, 2018 $	July 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents		4,211,543	6,371,293
Short term investments		88,038	88,038
Receivables and prepaids	4	134,157	120,165
		4,433,738	6,579,496
Coal properties and deferred exploration	5	12,330,558	10,979,331
Reclamation deposits		222,300	222,300
Equipment		10,117	11,748
Deferred acquisition costs		1	1
		12,562,976	11,213,380
		16,996,714	17,792,876
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		73,231	260,190
Due to related parties	7	30,190	28,601
		103,421	288,791
Equity Attributable to Shareholders			
Share capital	6	32,070,801	32,070,801
Contributed surplus		8,209,328	8,202,631
Deficit		(23,386,836)	(22,769,347)
		16,893,293	17,504,085
		16,996,714	17,792,876

Commitments (Notes 5 and 8)

Subsequent event (Note 12)

Approved by the Board of Directors

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

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months ended January 31, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

	Note	Three months ended January 31, 2018 $	Three months ended January 31, 2017 $	Six months ended January 31, 2018 $	Six months ended January 31, 2017 $
Expenses					
Amortization		783	801	1,631	1,703
Business investigation		1,464	3,017	2,580	3,492
Consulting	7	56,245	37,669	96,076	60,425
Director's fees	7	6,000	4,500	11,000	9,000
Filing and listing fees		9,763	3,843	14,617	6,401
Financing costs		-	(22,040)	-	(9,045)
Foreign exchange loss		408	8	1,893	161
Management fees	7	146,500	121,500	271,000	243,000
Office and administration		57,834	56,504	114,483	111,864
Professional fees	7	39,511	51,551	85,257	83,991
Shareholder communications		(966)	-	29,663	-
Share-based payments	6(b)	2,444	-	6,697	-
Travel and promotion		18,924	24,383	38,093	36,908
Workers compensation fees		3,010	2,161	6,462	4,334
		(341,920)	(283,897)	(679,452)	(552,234)
Other income					
Interest and dividend income		17,678	1,180	37,813	3,202
Relinquishment of coal license applications	5(c)	-	-	24,150	15,140
Comprehensive loss for the period		(324,242)	(282,717)	(617,489)	(533,892)
Basic and diluted loss per common share		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of shares outstanding - Basic and diluted		148,761,057	96,808,396	148,761,057	96,808,396

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

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended January 31, 2018 and 2017
(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	-	-	-	(533,892)	(533,892)
Balance, January 31, 2017	96,808,396	27,193,476	5,992,500	(21,389,720)	11,796,256
Shares issued pursuant to private placement of units	51,952,661	7,792,899	-	-	7,792,899
Less: cash issuance costs	-	(714,526)	-	-	(714,526)
Allocation of warrants	-	(1,746,040)	1,746,040	-	-
Less: finder's warrants	-	(455,008)	455,008	-	-
Share-based payments	-	-	9,083	-	9,083
Comprehensive loss for the period	-	-	-	(1,379,627)	(1,379,627)
Balance, July 31, 2017	148,761,057	32,070,801	8,202,631	(22,769,347)	17,504,085
Share-based payments	-	-	6,697	-	6,697
Comprehensive loss for the period	-	-	-	(617,489)	(617,489)
Balance, January 31, 2018	148,761,057	32,070,801	8,209,328	(23,386,836)	16,893,293

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended January 31, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

	2018 $	2017 $
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(617,489)	(533,892)
Items not affecting cash		
Amortization	1,631	1,703
Interest and dividend income	(37,813)	(3,202)
Share-based payments	6,697	-
	(646,974)	(535,391)
Interest and dividends received	28,277	3,335
Net change in non-cash working capital items:		
Receivables and prepaids	(55,007)	8,436
Accounts payable and accrued liabilities	(117,763)	(76,486)
Due to related parties	1,589	2,011
	(789,878)	(598,095)
Investing activities		
Deferred exploration costs	(1,420,423)	(133,152)
Purchase of equipment	-	(2,044)
B.C. Mining Exploration Tax Credits	50,551	-
	(1,369,872)	(135,196)
Financing activities		
Deferred financing costs	-	(750)
Decrease in cash and cash equivalents	(2,159,750)	(734,041)
Cash and cash equivalents, beginning of the period	6,371,293	1,177,590
Cash and cash equivalents, end of the period	4,211,543	443,549

Supplemental cash flow information (Note 9)

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 March 29, 2018.

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

	January 31, 2018 $	July 31, 2017 $
GST recoverable	87,163	30,924
B.C. Mining Exploration Tax Credit	-	50,551
Prepaid expenses and other	46,994	38,690
	134,157	120,165

5 Coal properties and deferred exploration (Schedule 1)

	January 31, 2018 $	July 31, 2017 $
Huguenot property, B.C.	10,313,214	10,270,702
Flatbed property, B.C.	2,017,344	708,629
	12,330,558	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 six months ended January 31, 2018 the Company relinquished its interest in the Tuya River property coal licenses and was reimbursed $24,150.

6 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 January 31, 2018.

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 January 31, 2018 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 January 31, 2018	5,095,000	0.74	2.76
Unvested	(125,000)	0.25	
Exercisable, January 31, 2018	4,970,000	0.76	2.72

(Unaudited - expressed in Canadian Dollars)

Options to acquire common shares outstanding at January 31, 2018 are as follows:

Expiry Date	Exercise price $	Remaining Life (years)	Options Outstanding	Unvested	Vested
October 7, 2020	0.77	2.68	4,845,000	-	4,845,000
May 1, 2022	0.25	4.25	250,000	125,000	125,000
			5,095,000	125,000	4,970,000

c) Warrants

The Company's warrants outstanding as at January 31, 2018 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, January 31, 2018 and July 31, 2017	29,601,467	0.28

Warrants to acquire common shares outstanding at January 31, 2018 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. Subsequent to January 31, 2018, 152,989 of these warrants were exercised.

7 Related party transactions

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

- During the six months ended January 31, 2018 the Company incurred $44,000 (2017 - $30,000) 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 six months ended January 31, 2018 and 2017 was as follows:

	2018 **$**	**2017** **$**
Director's fees	11,000	9,000
Management fees	271,000	243,000
Professional fees	-	36,300
	282,000	288,300

Amounts due to related parties at January 31, 2018 amounting to $30,190 (July 31, 2017 - $28,601) are non-interest bearing and have no specific terms of repayment.

8 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.

9 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 six months ended January 31, 2018, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of $24,065 included in accounts payable and accrued liabilities at January 31, 2018, less expenditures included in accounts payable and accrued liabilities at July 31, 2017 of $93,261 (net inclusion of $69,196); and,

- Deferred exploration expenditures of $nil included in receivables and prepaids at January 31, 2018, less ($50,551) at July 31, 2017 related to B.C. Mining Exploration Tax Credits.

During the six months ended January 31, 2017, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of $1,208 included in accounts payable and accrued liabilities at January 31, 2017, less expenditures included in accounts payable and accrued liabilities at July 31, 2016 of $2,158 (net inclusion of $950).

- Deferred financing costs of $27,652 included in accounts payable and accrued liabilities at January 31, 2017, less financing costs included in accounts payable and accrued liabilities at July 31, 2016 of $nil (net inclusion of $27,652).

10 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at January 31, 2018 and July 31, 2017, all the operations and assets were in Canada.

11 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.

12 Subsequent events

Subsequent to January 31, 2018, 152,989 warrants were exercised into 152,989 units at an exercise price of $0.15 per unit. Each unit is 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.

Colonial Coal International Corp. **Schedule 1**

Consolidated Schedule of Deferred Exploration Costs
For the six months ended January 31, 2018 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	7,734	1,093,442	-	1,101,176
Consultants and contractors	7,155	116,579	-	123,734
Licenses and fees	27,135	17,225	-	44,360
Laboratory	-	47,021	-	47,021
Project administration	488	38,277	-	38,765
Advances	-	(3,829)	-	(3,829)
	42,512	1,308,715	-	1,351,227
Balance, January 31, 2018	10,313,214	2,017,344	-	12,330,558