

**Colonial Coal International Corp.**

*(An Exploration Stage Company)*

**Condensed Interim Consolidated Financial Statements  
Nine Months Ended April 30, 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	April 30, 2018 \$	July 31, 2017 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		3,819,111	6,371,293
Short term investments		88,038	88,038
Receivables and prepaids	4	60,633	120,165
		3,967,782	6,579,496
Coal properties and deferred exploration			
Reclamation deposits	5	12,427,414	10,979,331
Equipment		222,300	222,300
Deferred acquisition costs		9,394	11,748
		1	1
		12,659,109	11,213,380
		16,626,891	17,792,876
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		60,735	260,190
Due to related parties	7	21,769	28,601
		82,504	288,791
<b>Equity Attributable to Shareholders</b>			
Share capital	6	32,139,867	32,070,801
Contributed surplus		10,035,272	8,202,631
Deficit		(25,630,752)	(22,769,347)
		16,544,387	17,504,085
		16,626,891	17,792,876

Commitments (Notes 5 and 8)

Subsequent events (Note 12)

**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 and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

		<b>Three months ended April 30,</b>		<b>Nine months ended April 30,</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>					
Amortization		723	958	2,354	2,661
Business investigation		2,219	1,480	4,800	4,972
Consulting	7	40,636	50,551	136,712	110,976
Director's fees	7	6,000	4,500	17,000	13,500
Filing and listing fees		2,188	10,017	16,805	16,418
Financing costs		-	761	-	(8,284)
Foreign exchange loss		2,918	708	4,811	869
Management fees	7	130,500	141,500	401,500	384,500
Office and administration		66,425	74,577	180,908	186,441
Professional fees	7	40,751	46,950	126,008	130,941
Shareholder communications		38,730	22,217	68,393	22,217
Share-based payments	6(b)	1,851,387	-	1,858,084	-
Travel and promotion		73,522	29,898	111,615	66,806
Workers compensation fees		3,153	3,108	9,615	7,442
		(2,259,152)	(387,225)	(2,938,605)	(939,459)
<b>Other income</b>					
Interest and dividend income		14,049	17,896	51,862	21,098
Relinquishment of coal license applications	5(c)	-	-	24,150	15,140
Government assistance recovery	5(c)	1,187	-	1,187	-
<b>Comprehensive loss for the period</b>					
		(2,243,915)	(369,329)	(2,861,405)	(903,221)
<b>Basic and diluted loss per common share</b>					
		(0.02)	(0.00)	(0.02)	(0.01)
<b>Weighted average number of shares outstanding</b>					
- Basic and diluted		148,827,351	147,593,581	148,782,669	113,364,739

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 nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

	Issued Share Capital		Contributed Surplus \$	Deficit \$	Total \$
	Number of Shares #	Amount \$			
<b>Balance, July 31, 2016</b>	96,808,396	27,193,476	5,992,500	(20,855,828)	12,330,148
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	-	-
Comprehensive loss for the period	-	-	-	(903,221)	(903,221)
<b>Balance, April 30, 2017</b>	148,761,057	32,070,801	8,193,548	(21,759,049)	18,505,300
Share-based payments	-	-	9,083	-	9,083
Comprehensive loss for the period	-	-	-	(1,010,298)	(1,010,298)
<b>Balance, July 31, 2017</b>	148,761,057	32,070,801	8,202,631	(22,769,347)	17,504,085
Shares issued pursuant to exercise of warrants	230,655	43,623	-	-	43,623
Transfer value on the exercise of warrants	-	25,443	(25,443)	-	-
Share-based payments	-	-	1,858,084	-	1,858,084
Comprehensive loss for the period	-	-	-	(2,861,405)	(2,861,405)
<b>Balance, April 30, 2018</b>	148,991,712	32,113,441	9,646,474	(25,630,752)	16,544,387

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

**Colonial Coal International Corp.**

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Loss for the period	(2,861,405)	(903,221)
Items not affecting cash		
Amortization	2,354	2,661
Share-based payments	1,858,084	-
Interest and dividend income	(51,862)	(21,098)
Government assistance recovery	(1,188)	-
	(1,054,017)	(921,658)
Interest and dividends received	45,178	9,853
Net change in non-cash working capital items:		
Receivables and prepaids	66,215	7,061
Accounts payable and accrued liabilities	(132,001)	(155,462)
Due to related parties	(6,832)	(2,932)
	(1,081,457)	(1,063,138)
<b>Investing activities</b>		
Deferred exploration costs	(1,566,087)	(175,917)
B.C. Mining Exploration Tax Credits	51,739	-
Purchase of equipment	-	(3,949)
	(1,514,348)	(179,866)
<b>Financing activities</b>		
Issuance of shares	43,623	7,792,899
Share issue costs	-	(714,526)
	43,623	7,078,373
<b>Decrease in cash and cash equivalents</b>	<b>(2,552,182)</b>	<b>5,835,369</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>6,371,293</b>	<b>1,177,590</b>
<b>Cash and cash equivalents, end of the period</b>	<b>3,819,111</b>	<b>7,012,959</b>

Supplemental cash flow information (Note 10)

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

## **Colonial Coal International Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

---

### **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 June 20, 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

## Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

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.

- 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

	April 30, 2018	July 31, 2017
	\$	\$
GST recoverable	18,462	30,924
B.C. Mining Exploration Tax Credit	-	50,551
Prepaid expenses and other	42,171	38,690
	<u>60,633</u>	<u>120,165</u>

### 5 Coal properties and deferred exploration (Schedule 1)

	April 30, 2018	July 31, 2017
	\$	\$
Huguenot property, B.C.	10,362,123	10,270,702
Flatbed property, B.C.	2,064,103	708,629
	<u>12,426,226</u>	<u>10,979,331</u>

- 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.



## Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

---

- c) During the nine months ended April 30, 2018 the Company relinquished its interest in the Tuya River property coal licenses and was reimbursed \$24,150. During the nine months ended April 30, 2018, the Company received \$1,187 in B.C. Mining Exploration Tax Credits relating to exploration expenditures incurred in fiscal 2017.

### 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 April 30, 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 April 30, 2018 and July 31, 2017 and the changes for the periods then ended are as follows:

	<b>Number of options</b>	<b>Weighted Average Exercise Price \$</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
Balance, July 31, 2016	4,845,000	0.77	4.19
Granted	250,000	0.25	
Balance, July 31, 2017 and April 30, 2018	5,095,000	0.74	2.76
Granted	7,325,000	0.31	
Forfeited	(850,000)	0.77	
Exercisable, April 30, 2018	11,570,000	0.47	7.22

**Colonial Coal International Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

Options to acquire common shares outstanding at April 30, 2018 are as follows:

<b>Expiry Date</b>	<b>Exercise price \$</b>	<b>Remaining Life (years)</b>	<b>Options Outstanding</b>	<b>Unvested</b>	<b>Vested</b>
October 7, 2020	0.77	2.44	3,995,000	-	3,995,000
May 1, 2022	0.25	4.01	250,000	-	250,000
April 5, 2028	0.31	9.94	7,325,000	-	7,325,000
			11,570,000	-	11,570,000

**c) Warrants**

The Company's warrants outstanding as at April 30, 2018 and July 31, 2017 and the changes for the periods then ended are as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>
Balance, July 31, 2016	-	-
Issued	29,601,467	0.28
Balance, July 31, 2017	29,601,467	0.28
Issued on exercise of warrants	30,083	0.30
Exercised	(230,655)	0.19
Balance, April 30, 2018 and July 31, 2017	29,400,895	0.28

Warrants to acquire common shares outstanding at April 30, 2018 are as follows:

<b>Expiry Date</b>	<b>Exercise price \$</b>	<b>Warrants Outstanding</b>
February 3, 2020 <sup>(1)</sup>	0.30	25,946,248
February 3, 2020 <sup>(2)</sup>	0.15	3,454,647
		29,400,895

<sup>(1)</sup> Subsequent to April 30, 2018, 503,707 of these warrants were exercised for proceeds of \$151,112.<sup>(2)</sup> 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 April 30, 2018, 215,166 of these warrants were exercised for proceeds of \$32,275.

## Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

---

### 7 Related party transactions

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

- During the nine months ended April 30, 2018 the Company incurred \$62,000 (2017 - \$58,000) 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.

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 nine months ended April 30, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Director's fees	17,000	13,500
Management fees	401,500	384,500
Professional fees	35,750	57,300
Share-based payments	1,311,705	-
	<u>1,765,955</u>	<u>455,300</u>

Amounts due to related parties at April 30, 2018 amounting to \$21,769 (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 nine months ended April 30, 2018, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of \$25,808 included in accounts payable and accrued liabilities at April 30, 2018, less expenditures included in accounts payable and accrued liabilities at July 31, 2017 of \$93,261 (net inclusion of \$67,453); and,

## **Colonial Coal International Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2018 and 2017

*(Unaudited - expressed in Canadian Dollars)*

---

- Deferred exploration expenditures of \$nil included in receivables and prepaids at April 30, 2018, less (\$50,551) at July 31, 2017 related to B.C. Mining Exploration Tax Credits.

During the nine months ended April 30, 2017, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of \$12,712 included in accounts payable and accrued liabilities at April 30, 2017, less expenditures included in accounts payable and accrued liabilities at July 31, 2016 of \$2,158 (net exclusion of \$10,554); and,
- The issuance of 3,625,136 finders' warrants at the fair value of \$455,008.

### **10 Segment information**

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at April 30, 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 April 30, 2018, 215,166 warrants were exercised into 215,166 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.

Subsequent to April 30, 2018, 503,707 warrants were exercised into 503,707 common shares at an exercise price of \$0.30 per common share.

**Colonial Coal International Corp.****Schedule 1**

## Consolidated Schedule of Deferred Exploration Costs

For the nine months ended April 30, 2018 and the year ended July 31, 2017

*(Unaudited - expressed in Canadian Dollars)*

	Huguenot \$	Flatbed \$	Tuya River \$	Total \$
<b>Balance, July 31, 2016</b>	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)
<b>Balance, July 31, 2017</b>	10,270,702	708,629	-	10,979,331
Field programs	9,696	1,097,870	-	1,107,566
Consultants and contractors	43,228	144,598	-	187,826
Licenses and fees	27,135	17,225	-	44,360
Laboratory	-	53,794	-	53,794
Project administration	11,362	47,004	-	58,366
Advances	-	(3,829)	-	(3,829)
	91,421	1,356,662	-	1,448,083
<b>Balance, April 30, 2018</b>	10,362,123	2,065,291	-	12,427,414