

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2019 and 2018**

(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, 2019 \$ | July 31, 2019 \$ |
|--|------|---------------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 2,183,167 | 2,579,891 |
| Short term investments | | 88,038 | 88,038 |
| Receivables and prepaids | 4 | 47,311 | 57,030 |
| | | 2,318,516 | 2,724,959 |
| Coal properties and deferred exploration | | | |
| Reclamation deposits | 5 | 13,525,674 | 13,348,423 |
| Equipment | | 203,200 | 203,200 |
| Deferred acquisition costs | | 5,131 | 5,508 |
| | | 1 | 1 |
| | | 13,734,006 | 13,557,132 |
| | | 16,052,522 | 16,282,091 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 133,171 | 97,049 |
| Due to related parties | 7 | 24,627 | 26,360 |
| | | 157,798 | 123,409 |
| Equity Attributable to Shareholders | | | |
| Share capital | 6 | 34,117,698 | 33,978,613 |
| Contributed surplus | | 9,546,246 | 9,591,753 |
| Deficit | | (27,769,220) | (27,411,684) |
| | | 15,894,724 | 16,158,682 |
| | | 16,052,522 | 16,282,091 |

Commitments (Notes 5 and 8)

Subsequent events (Note 11)

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 Loss and Comprehensive Loss

For the three months ended October 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

| | Note | 2019 \$ | 2018 \$ |
|---|------|-------------|-------------|
| Expenses | | | |
| Amortization | | 377 | 620 |
| Consulting | 7 | 54,883 | 25,861 |
| Director's fees | 7 | 6,000 | 6,000 |
| Filing and listing fees | | 15,918 | 9,647 |
| Management fees | 7 | 140,500 | 130,500 |
| Office and administration | | 47,070 | 50,547 |
| Professional fees | 7 | 47,246 | 45,439 |
| Shareholder communications | | 33,716 | 8,099 |
| Travel and promotion | | 19,301 | 19,441 |
| Workers compensation fees | | 913 | 2,190 |
| | | (365,924) | (298,344) |
| Other income (expense) | | | |
| Interest and other income | | 8,388 | 17,079 |
| | | 8,388 | 17,079 |
| Net loss and comprehensive loss for the period | | (357,536) | (281,265) |
| Basic and diluted loss per common share | | (0.00) | (0.00) |
| Weighted average number of shares outstanding | | | |
| - Basic and diluted | | 154,542,741 | 149,758,375 |

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

Colonial Coal International Corp.

Consolidated Statements of Changes in Equity

For the three months ended October 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

| | Issued Share Capital | | Contributed | Deficit | Total |
|--|----------------------|------------|-------------|--------------|-------------|
| | Number of | Amount | Surplus | | |
| | Shares | \$ | \$ | \$ | \$ |
| | # | | | | |
| Balance, July 31, 2018 | 149,758,375 | 32,401,526 | 9,971,106 | (25,981,227) | 16,391,405 |
| Comprehensive loss for the period | - | - | - | (281,265) | (281,265) |
| Balance, October 31, 2018 | 149,758,375 | 32,401,526 | 9,971,106 | (26,262,492) | 16,110,140 |
| Shares issued pursuant to exercise of warrants | 4,202,374 | 1,111,984 | - | - | 1,111,984 |
| Shares issued pursuant to exercise of options | 325,000 | 85,750 | - | - | 85,750 |
| Transfer value on exercise of warrants | - | 332,256 | (332,256) | - | - |
| Transfer value on exercise of options | - | 47,097 | (47,097) | - | - |
| Comprehensive loss for the period | - | - | - | (1,149,192) | (1,149,192) |
| Balance, July 31, 2019 | 154,285,749 | 33,978,613 | 9,591,753 | (27,411,684) | 16,158,682 |
| Shares issued pursuant to exercise of warrants | 513,850 | 93,578 | - | - | 93,578 |
| Transfer value on exercise of warrants | - | 45,507 | (45,507) | - | - |
| Comprehensive loss for the period | - | - | - | (357,536) | (357,536) |
| Balance, October 31, 2019 | 154,799,599 | 34,117,698 | 9,546,246 | (27,769,220) | 15,894,724 |

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 three months ended October 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash flows (used in) provided by | | |
| Operating activities | | |
| Loss for the period | (357,536) | (281,265) |
| Items not affecting cash | | |
| Amortization | 377 | 620 |
| Interest income | (8,388) | (17,079) |
| | (365,547) | (297,724) |
| Interest received | 17,192 | 18,396 |
| Net change in non-cash working capital items: | | |
| Receivables and prepaids | 915 | 11,037 |
| Accounts payable and accrued liabilities | 7,759 | (32,403) |
| Due to related parties | (1,733) | (5,957) |
| | (341,414) | (306,651) |
| Investing activities | | |
| Deferred exploration costs | (148,888) | (169,004) |
| | (148,888) | (169,004) |
| Financing activities | | |
| Exercise of warrants | 93,578 | - |
| | 93,578 | - |
| Decrease in cash and cash equivalents | (396,724) | (475,655) |
| Cash and cash equivalents, beginning of the period | 2,579,891 | 3,428,019 |
| Cash and cash equivalents, end of the period | 2,183,167 | 2,952,364 |

Supplemental cash flow information (Note 9)

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 months ended October 31, 2019 and 2018

(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, 2019, 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, 2019.

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, 2019.

These financial statements were approved by the board of directors for use on December 20, 2019.

3 Adoption of new accounting standards and accounting standards issued but not yet applied

IFRS 16, Leases

The Company adopted all of the requirements of IFRS 16 Leases (“IFRS 16”) as of August 1, 2019. IFRS 16 replaces IAS 17 Leases (“IAS 17”). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2019 comparatives are not restated and a cumulative catch up adjustment is recorded on August 1, 2019 for any differences identified, including adjustments to the opening deficit balance.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. On the date of transition, the Company did not have any leases with lease terms in excess of 12 months. Accordingly, the Company did not record any transition adjustments on August 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4 Receivables and prepaids

| | October 31, 2019 | July 31, 2019 |
|----------------------------|------------------|---------------|
| | \$ | \$ |
| GST recoverable | 23,628 | 19,716 |
| Prepaid expenses and other | 23,683 | 37,314 |
| | <u>47,311</u> | <u>57,030</u> |

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

5 Coal properties and deferred exploration (Schedule 1)

| | October 31, 2019 | July 31, 2019 |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| Huguenot property, B.C. | 10,992,749 | 10,835,279 |
| Flatbed property, B.C. | 2,532,925 | 2,513,144 |
| | <u>13,525,674</u> | <u>13,348,423</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.

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.

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.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

The Company's stock options outstanding as at October 31, 2019 and July 31, 2019 and the changes for the period then ended are as follows:

| | Number of options | Weighted Average Exercise Price \$ | Weighted Average Remaining Contractual Life (years) |
|--|----------------------|--|---|
| Balance, July 31, 2018 | 11,570,000 | 0.47 | 6.97 |
| Exercised | (325,000) | 0.26 | |
| Balance, July 31, 2019 | 11,245,000 | 0.47 | 6.02 |
| Balance outstanding and exercisable, October 31, 2019 | 11,245,000 | 0.47 | 5.77 |

Options to acquire common shares outstanding at October 31, 2019 are as follows:

| Expiry Date | Exercise price \$ | Remaining Life (years) | Options Outstanding | Unvested | Vested |
|-----------------|-------------------------|---------------------------|------------------------|----------|------------|
| October 7, 2020 | 0.77 | 0.94 | 3,995,000 | - | 3,995,000 |
| April 5, 2028 | 0.31 | 8.44 | 7,250,000 | - | 7,250,000 |
| | | | 11,245,000 | - | 11,245,000 |

c) Warrants

The Company's warrants outstanding as at October 31, 2019 and July 31, 2019 and the changes for the periods then ended are as follows:

| | Number of Warrants | Weighted Average Exercise Price \$ |
|--------------------------------|-----------------------|--|
| Balance, July 31, 2018 | 28,797,746 | 0.28 |
| Issued on exercise of warrants | 495,761 | 0.30 |
| Exercised | (4,202,374) | 0.26 |
| Balance, July 31, 2019 | 25,091,133 | 0.29 |
| Issued on exercise of warrants | 201,925 | 0.30 |
| Exercised | (513,850) | 0.18 |
| Balance, October 31, 2019 | 24,779,208 | 0.29 |

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

Warrants to acquire common shares outstanding at October 31, 2019 are as follows:

| <u>Expiry Date</u> | <u>Exercise price</u> <u>\$</u> | <u>Warrants</u> <u>Outstanding</u> |
|------------------------------------|------------------------------------|---------------------------------------|
| February 3, 2020 ⁽¹⁾ | 0.30 | 22,936,640 |
| February 3, 2020 ⁽²⁾⁽³⁾ | 0.15 | 1,842,568 |
| | | <u>24,779,208</u> |

⁽¹⁾ Subsequent to October 31, 2019, 1,147,833 of these warrants were exercised for proceeds of \$344,350.

⁽²⁾ Subsequent to October 31, 2019, 143,500 of these warrants were exercised for proceeds of \$21,525.

⁽³⁾ 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.

7 Related party transactions

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

- During the three months ended October 31, 2019 the Company incurred \$18,000 (2018 - \$18,000) 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.

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, 2019 and 2018 was as follows:

| | 2019 | 2018 |
|-------------------|----------------|----------------|
| | \$ | \$ |
| Director's fees | 6,000 | 6,000 |
| Management fees | 140,500 | 130,500 |
| Professional fees | 11,250 | 11,250 |
| | <u>157,750</u> | <u>147,750</u> |

Amounts due to related parties at October 31, 2019 amounting to \$24,627 (July 31, 2019 - \$26,360) are non-interest bearing and have no specific terms of repayment.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

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 three months ended October 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of \$33,319 included in accounts payable and accrued liabilities at October 31, 2019, less expenditures included in accounts payable and accrued liabilities at July 31, 2019 of \$4,956 (net exclusion of \$28,363).

During the year ended October 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of \$11,994 included in accounts payable and accrued liabilities at October 31, 2018, less expenditures included in accounts payable and accrued liabilities at July 31, 2018 of \$34,562 (net inclusion of \$22,568).

10 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at October 31, 2019 and July 31, 2019, all the operations and assets were in Canada.

11 Subsequent events

Warrant exercises

Subsequent to October 31, 2019, an aggregate of 1,147,833 warrants were exercised into 1,147,833 common shares at an exercise price of \$0.30 per share for proceeds of \$344,350. An additional 143,500 warrants were exercised into 143,500 units at an exercise price of \$0.15 per unit for proceeds of \$21,525. 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.

Grant of stock options

On November 20, 2019, the Company granted 2,100,000 stock options to a director and a consultant at a price of \$0.35 per share exercisable up to November 20, 2029.

Colonial Coal International Corp.**Schedule 1**

Condensed Interim Consolidated Schedule of Deferred Exploration Costs

For the three months ended October 31, 2019 and the year ended July 31, 2019

(Unaudited - Expressed in Canadian Dollars)

| | Huguenot | Flatbed | Total |
|-------------------------------------|-----------------|----------------|--------------|
| | \$ | \$ | \$ |
| Balance, July 31, 2018 | 10,536,053 | 2,200,811 | 12,736,864 |
| Field programs | 25,382 | 4,455 | 29,837 |
| Consultants and contractors | 126,277 | 279,558 | 405,835 |
| Licenses and fees | 125,020 | 94,480 | 219,500 |
| Public relations / First Nations | 7,536 | 9,459 | 16,995 |
| Project administration | 15,011 | 20,332 | 35,343 |
| B.C. Mining Exploration Tax Credits | - | (95,951) | (95,951) |
| | 299,226 | 312,333 | 611,559 |
| Balance, July 31, 2019 | 10,835,279 | 2,513,144 | 13,348,423 |
| Field programs | 8,148 | 4,641 | 12,789 |
| Consultants and contractors | 117,501 | 8,344 | 125,845 |
| Licenses and fees | 27,135 | 3,710 | 30,845 |
| Public relations / First Nations | 1,528 | 379 | 1,907 |
| Project administration | 3,158 | 2,707 | 5,865 |
| | 157,470 | 19,781 | 177,251 |
| Balance, October 31, 2019 | 10,992,749 | 2,532,925 | 13,525,674 |