

# **Colonial Coal International Corp.**

## **Management’s Discussion and Analysis of Financial Position and Results of Operations (“MD&A”)**

The following information, prepared as of March 30, 2020, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Colonial Coal International Corp. (“CCIC” or the “Company”) for the six months ended January 31, 2020, as well as the audited consolidated financial statements for the year ended July 31, 2019 and the related management’s discussion and analysis (the “Annual MD&A”). The unaudited condensed interim consolidated financial statements for the six months ended January 31, 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains forward looking statements. For a description of assumptions made in developing the forward-looking statements and the material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see the “Forward-Looking Statements” and the “Risks and Uncertainties” sections below.

### ***Forward-Looking Statements***

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as “plans”, “intends”, “anticipates”, “should”, “estimates”, “expects”, “believes”, “indicates”, “suggests” and similar expressions.

This MD&A and in particular the “Outlook” section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company’s expectations as of March 30, 2020.
- Readers are cautioned not to place undue reliance on these statements as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, possible variations in mineral resources; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; and political, regulatory, environmental and other risks of the mining industry.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward-looking statements in this MD&A include, but are not limited to: statements regarding the Company's litigation to enforce its rights with respect to Watson Island; statements regarding estimated mineral resources and annual clean coal production at the Huguenot Coal Project (Huguenot) and the Gordon Creek Coal Project (Gordon Creek) of the Flatbed property (Flatbed); and the interpretation of exploration programs and drill results and execution of the Company's existing plans or exploration programs at its coal projects, any of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

### ***Cautionary Note Regarding Reserve and Resource Estimates***

The material in this MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource estimates included in this MD&A have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. The estimation of quantities of resources and reserves is complex, based on significant subjective assumptions and forward-looking information, including assumptions that arise from the evaluation of geological, geophysical, engineering and economic data for a given ore body. This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions. Changes in data and/or assumptions could cause reserve estimates to substantially change from period to period. No assurance can be given that the indicated level of mineral will be produced. Actual production could differ from expected production and an adverse change in mineral prices could make a reserve uneconomic to mine. Variations could also occur in actual ore grades and recovery rates from estimates.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

### ***General***

The Company owns two coal exploration properties located in British Columbia. The Company is also pursuing the acquisition of Watson Island, located just outside of Prince Rupert, B.C., and has ongoing litigation against the City of Prince Rupert to enforce its rights in connection with the acquisition. If it is successful in acquiring Watson Island, the Company's objective is to redevelop Watson Island as a seaport terminal and supporting industrial park.

### ***Huguenot Coal Project***

The Huguenot Coal Project is a coking coal project currently comprised of seventeen coal licenses covering an area of 9,531 hectares located in the Liard Mining Division, northeastern British Columbia, approximately 620 kilometres north-northeast of Vancouver, close to the provincial boundary with Alberta. It is situated approximately 85 km south-southeast of the town of Tumbler Ridge and 115 km southwest of the city of Grande Prairie, Alberta.

As reported in the Company's November 26, 2019 news release, a Preliminary Economic Assessment ("PEA") for a stand-alone open pit option has recently been completed.

***This PEA for the stand-alone open pit mine on the Huguenot Project is preliminary in nature and there is no certainty that the forecast results stated in the PEA will be realized. In addition, the PEA includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Furthermore, mineral resources that are not mineral reserves do not have demonstrated economic viability.***

Details of earlier PEA studies have been presented in previous MD&As filed by the Company. The results of the current PEA show that the Huguenot Project continues to demonstrate positive economics, has viable development options and is worthy of advancement.

The current Huguenot PEA report builds upon an original Huguenot PEA report prepared in 2013 by Norwest Corporation ("Norwest") that was updated in 2018 by Norwest, now Stantec Consulting Services Inc. ("Stantec"), using then current scoping level cost estimates and economic analyses. The mining studies previously reported (September 24, 2013 and July 10, 2018 and by way of corresponding 43-101 Technical Report filings) were based upon exploiting the coking coal resources by a combination of open pit and underground mining methods. During the 2018 update, Stantec recognized an opportunity to significantly expand the open pit to higher stripping ratios, with correspondingly higher recoverable tonnages of surface mineable coal, thereby creating the opportunity to examine a surface stand-alone mining option in a new PEA.

This PEA does not include any further evaluation of the underground resources nor any potentially mineable coal associated with these resources. For the current study, Stantec used previously reported surface mineable resources to develop a revised conceptual mine plan to exploit the coal resources utilizing a stand-alone open pit, in contrast to the previous approach of a combined open pit and underground mine. Stantec completed a more detailed analysis of the open pit design and equipment selection than was carried out previously that yielded larger mineable open pit tonnage, longer mine life and a lower cost mining operation. In addition, alternative means of product coal transportation were considered which resulted in a revised plan to transport coal by conventional haul trucks from the mine to the existing rail line south of Tumbler Ridge, as opposed to the previous concept of direct rail transport from the mine. The trucking concept has the advantage of lower capital costs, lower risk and a shorter construction schedule than the rail option.

Highlights of the revised Huguenot PEA report are summarized below. All costs are in US dollars but, where Canadian dollar equivalents are provided, they have been converted using an exchange rate of US\$1.00 equals CAD\$1.316.

A summary of the financial analyses is presented in the following tables; the results show the after tax (including royalty) net present values (NPVs) at various discount rates and internal rates of return (IRRs) for a range of coal prices. For the benchmark coal price, Stantec has used US\$174 per tonne. They note that, while a discount may be applied to the benchmark price for Huguenot product coal, they consider the potential discount to be within the range of values presented in the tables below.

The capital expenditures are based on two scenarios. The first scenario assumes that all major mining equipment is purchased outright in the year in which it is required for the mining operation. This includes replacements as they are required over the life of the mine. The second scenario assumes that the major mining equipment will be leased in the year in which it is required for the mining operation and that replacements will also be leased when the equipment needs to be replaced.

## PURCHASED EQUIPMENT SCENARIO (US\$)

Coal Price	NPV (US\$ millions) at Varying Discount Rates with IRR			
	5%	7.5%	10%	IRR (%)
US\$174/t	\$1,482	\$1,027	\$718	26.3%
US\$157/t	\$1,072	\$713	\$410	21.0%
US\$191/t	\$1,891	\$1,340	\$965	31.4%

## PURCHASED EQUIPMENT SCENARIO (CDN\$)

Coal Price	NPV (CDN\$ millions) at Varying Discount Rates with			
	5%	7.5%	10%	IRR (%)
CDN\$229/t	\$1,949	\$1,351	\$944	26.3%
CDN\$207/t	\$1,410	\$938	\$618	21.0%
CDN\$251/t	\$2,488	\$1,763	\$1,270	31.4%

## LEASED EQUIPMENT SCENARIO (US\$)

Coal Price	NPV (US\$ millions) at Varying Discount Rates with IRR			
	5%	7.5%	10%	IRR (%)
US\$174/t	\$1,474	\$1,032	\$732	29.4%
US\$157/t	\$1,063	\$717	\$483	23.0%
US\$191/t	\$1,883	\$1,345	\$979	35.5%

## LEASED EQUIPMENT SCENARIO (CDN\$)

Coal Price	NPV (CDN\$ millions) at Varying Discount Rates with			
	5%	7.5%	10%	IRR (%)
CDN\$229/t	\$1,939	\$1,357	\$963	29.4%
CDN\$207/t	\$1,399	\$943	\$636	23.0%
CDN\$251/t	\$2,478	\$1,770	\$1,289	35.5%

- Based on the purchased equipment scenario the financial analysis suggests that the coal price required to achieve a zero NPV at discount rates of 5%, 7.5% and 10%, respectively, is about US\$113, US\$120 and US\$125 per tonne. A coal price of US\$137 per tonne is required for an IRR of 15%.
- Based on the leased equipment option the financial analysis suggests that the coal price required to achieve a zero NPV at discount rates of 5%, 7.5% and 10%, respectively, is about US\$114, US\$119 and US\$125 per tonne. A coal price of US\$137 per tonne is required for an IRR of 15%.
- Measured and Indicated surface mineable coal resources total 132.0 million tonnes, with an additional Inferred resource of 0.5 million tonnes. Not included in the current PEA are in-situ underground mineable resources totaling 145.7 million tonnes (Measured and Indicated) and 118.7 million tonnes classified as Inferred.
- The current PEA economic analysis is based on a conceptual open pit mine plan targeting 99 million run-of-mine (“ROM”) tonnes of resource at an overall stripping ratio of 10.5:1 (bank cubic metres (bcm):ROM tonnes), yielding 72 million tonnes of product coal over a mine life of 27 years. The previous PEA identified a smaller open pit with ROM tonnage of 56 million tonnes at a stripping ratio of 8.6:1, that yielded 39 million tonnes of product coal over 13 years.

- Projected clean coal production from open pit mining operations ranges from 0.7 million tonnes per annum (“Mt/a”) to 3.0 Mt/a, averaging approximately 2.7 Mt/a.
- Potential coal production is identified as hard coking coal similar to coking coal currently exported from northeast British Columbia.  
The stand-alone open pit cash operating costs for the purchased equipment scenario are estimated at US\$55.08 per tonne of product coal at the mine gate. The cash operating costs for the leased equipment scenario are estimated at US\$61.47 per tonne.
- Estimated direct operating plus offsite costs for the purchased equipment scenario (i.e., FOB cost), total US\$91.90 per clean tonne (excluding production taxes and royalties). The FOB cost for the leased equipment scenario is estimated at US\$98.29 per clean tonne (excluding production taxes and royalties)
- Pre-production capital cost for the proposed mine in the purchased equipment scenario is estimated at US\$510 million, with additional sustaining capital of US\$215 million over the life-of-mine (LOM). Pre-production capital cost in the leased equipment scenario is estimated at US\$303 million, with additional sustaining capital of US\$42 million over the LOM.
- The Huguenot Project’s proposed payback of initial capital is estimated within four years from start-up of operations for both scenarios.

Further details are included in the PEA report which was filed on SEDAR on January 9, 2020.

Management continues to evaluate opportunities for financing further work at Huguenot, including the possibility of joint venturing the property.

The Company has initiated a new Notice of Work application for the northern half of the main target area.

### ***Gordon Creek Coal Project of the Flatbed Property***

The Gordon Creek Coal Project is a metallurgical coal project currently comprised of eight coal licenses covering an area of 9,607 hectares located in the Liard Mining Division, northeastern British Columbia, approximately 645 kilometres north-northeast of Vancouver. It is situated approximately 27 km south-southeast of the town of Tumbler Ridge and 131 km west-southwest of the city of Grande Prairie, Alberta.

On November 12, 2018, the Company announced the results of a PEA on the Gordon Creek area (the “Gordon Creek Project”) that forms part of the Company’s 100% owned Flatbed property.

The Gordon Creek Project PEA report, prepared by Stantec in accordance with NI 43-101 standards, was completed and filed on SEDAR (the System for Electronic Document Analysis and Retrieval) on December 21, 2018 (amended and filed on January 17, 2019). The results of the PEA show that the Gordon Creek Project demonstrates positive economics, and that it is worthy of continued exploration and development.

In summary, Stantec used previously reported (January 16, 2018 by way of corresponding NI 43-101 technical report filings) in situ and potentially mineable resources, developed a conceptual mine plan to exploit the coal resources using underground mining methods and prepared scoping-level cost estimates and economic analyses.

Highlights of the PEA report respecting the Gordon Creek Project are summarized below. All costs are in US dollars, however, where Canadian dollar equivalents are provided they have been converted using an exchange rate of US\$1.00 equals CAD\$1.30.

- The Gordon Creek Project has an indicative after-tax (and royalty) net present value (“NPV”) of US\$690.5 million (CAD\$897.7 million), using a 7.5% discount rate and an IRR of 24.4%, based on a weighted average coking coal price of US\$164.8 per tonne and a premium pulverized coal injection (“PCI”) coal price of US\$140.5 per tonne.
- The financial analysis suggests that the “break-even” coal price (based upon an overall weighted

average price for all coal types of US\$160.5 per tonne) is less than US\$91.1, US\$96.5 and US\$103.3 per tonne for discount rates of 5%, 7.5% and 10%, respectively. It also indicates that for a 15% internal rate of return (“IRR”), a minimum coal price of US\$119.9 per tonne would be required.

- The PEA is based on a conceptual underground mine plan that targets 111.6 million run-of-mine tonnes of resource, with a yield of 51%, producing 57.4 million tonnes of clean coal over a mine life of 30 years.
- Geological modeling and resource estimation have identified an inferred, potentially underground mineable, coal resource at Gordon Creek of 298 million tonnes.
- The Gordon Creek Project’s potential coal production is identified as coking coal from Seams B to G and premium PCI coal for Seams J and K. Seams J and K, which would be mined last, are the two deepest seams and represent approximately 28.6% of the reported resources and approximately 31.5% of the reported saleable tonnes.
- Selling prices were determined for each product coking coal from Seams B, D, F (combined F1 and F2) and G. These prices ranged from US\$156.0 to US\$176.5 per tonne; the weighted average coking coal price of US\$164.8 per tonne represents a discount of US\$20.2 per tonne from a projected long-term benchmark price of US\$185.0 per tonne for premium low volatile hard coking coal. Seams J and K were priced as premium PCI coals with no discount to the projected long-term PCI benchmark price of US\$140.5 per tonne. The overall weighted average price for all coal types is US\$160.5 per tonne.
- In full mine operation, projected clean coal production ranges from 1.6 million tonnes per annum (“Mt/a”) to 2.6 Mt/a, and averages approximately 1.9 Mt/a.
- The pre-production capital cost for the underground mine is estimated at US\$300 million (CAD\$391 million), with additional sustaining capital of US\$406 million (CAD\$528 million) over the life-of-mine.
- The Gordon Creek Project’s proposed payback of initial capital is estimated to be within three years from the start of coal production.
- Total costs FOB port, including direct mine site costs, offsite costs and indirect costs, are estimated at US\$80.91 (CAD\$105.19) per tonne. This includes mine site costs of US\$41.16 per tonne, offsite costs of US\$25.42 per tonne for trucking, rail car loading, rail and port charges, and indirect costs of US\$14.33 per tonne for mineral taxes, royalties and corporate overhead.

The PEA assumed that the Gordon Creek Project would be connected by road to the existing rail line south of Tumbler Ridge. The rail line would be accessed via a loadout located in the area of an existing coal loadout operated by Peace River Coal. Costs for trucking product coal to the proposed loadout are included in the Project’s operating cost projections.

A summary of the financial analyses is shown in the following table:

Coal Price	NPV (millions) at Varying Discount Rates			
	5%	7.5%	10%	IRR (%)
US\$160.5/t	\$1,081	\$691	\$446	24.4%
CAD\$208.7/t	\$1,405	\$898	\$579	24.4%

***The Gordon Creek Project PEA is preliminary in nature and includes inferred mineral resources that are considered to be too geologically speculative to be subject to economic considerations that would enable them to be categorized as mineral reserves. There is no certainty that the forecast results stated in the PEA will be realized. Further details are included in the Company’s press release dated November 12, 2018, and in the actual PEA, both of which are filed on SEDAR.***

Further exploration recommended by Stantec includes additional drilling within the Gordon Creek Project area and 2D seismic surveys. The additional drilling would be to further advance the definition of the geology, resource and coal quality potential, to acquire additional geotechnical data and to obtain methane desorption data. The 2D seismic surveys would be designed to identify coal seams and geological structures both within the Gordon Creek Project area and over a second target area referred to as the eastern anticline area. It is expected this work will total approximately \$2.6 million.

Management continues to pursue opportunities for financing further work at Flatbed, including the possibility of joint venturing the property. The Company has applied for an extension to its Work Permit that expired at the end of 2018. First Nations consultations have been initiated.

### ***Watson Island***

The Company owns 100% of Watson Island Development Corporation (“WatCo”), a company formed to 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 the court actions against the COPR 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 B.C. 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.

If it is successful in acquiring Watson Island, WatCo’s objective is to redevelop Watson Island as a multi-product bulk commodity shipping terminal with a supporting industrial park. Watson Island is an ideal site for a bulk terminal, as its existing marine and rail infrastructure can readily accommodate smaller bulk vessels, including Handymax-sized ships. The terminal could accommodate a range of bulk commodities, including coal, potash, pellets and liquids. Watson Island is also one of the closest points in North America to Asia, allowing for a shorter shipping route than other major ports.

## ***Management Changes***

On August 14, 2019, David Fawcett agreed to be appointed as an advisory member to the Company's Board of Directors. During his career Mr. Fawcett has had a broad range of responsibilities from early stage geology and exploration, through feasibility and regulatory processes, to operations, management and executive positions for major, intermediate and start-up companies. During the first half of his career, Mr. Fawcett held positions with established mining and development companies such as Consolidation Coal Company, BC Hydro, Dentherm Resources (Denison Mines) and Smoky River Coal. Through the second half of his career, Mr. Fawcett was more entrepreneurial with participation in start-up and development companies such as Pine Valley Coal, Western Canadian Coal, NEMI Northern Energy & Mining, Hillsborough Resources, Jameson Resources and Allegiance Coal. Mr. Fawcett has been the recipient of several coal industry awards including the Canadian Institute of Mining Coal Award in 2011, the British Columbia Association of Mineral Exploration E.A. Scholz Award in 2012 and the Coal Association of Canada's Award of Distinction in 2015.

On November 19, 2019, Partha S. Bhattacharyya consented to be appointed to the Company's Board of Directors. Mr. Bhattacharyya is the former Chairman and Managing Director of Coal India Limited, a coal-producing company headquartered in Kolkata, West Bengal, India. Mr. Bhattacharyya holds a post graduate degree in physics from Jadavpur University, Kolkata, and a diploma in finance from ICFAI University, Hyderabad. Mr. Bhattacharyya is also a Fellow of the Institute of Cost and Works Accountants of India and the World Academy of Productivity Science. Mr. Bhattacharyya joined Coal India as a management trainee in 1977. Prior to joining our Coal India, Mr. Bhattacharyya was the Chairman and Managing Director of BCCL, where he played a crucial role in the turnaround of the company, which had been reporting losses since its inception.

On November 18, 2019, Wayne Waters, a longstanding member of the Company's Board of Directors, resigned for personal health reasons.

## ***Outlook***

As at January 31, 2020, the Company had cash and cash equivalents of \$4.4 million.

At Flatbed, the Company completed its drill program (at Gordon Creek) in mid-October 2017 and a Technical Report completed by Norwest was filed on SEDAR on January 10, 2018. In the Technical Report, Norwest recommended further exploration to advance the Gordon Creek Coal Project as well as an internal, high-level mining study to determine whether or not to proceed with a Preliminary Economic Assessment based upon current data. The Company completed the internal high-level mining study and, on November 12, 2018, announced the results of the PEA (with final report issued on December 21, 2018). The results of the PEA show that the Gordon Creek Project demonstrates positive economics, and that it is worthy of continued exploration and development.

On November 26, 2019, the Company released the results of a new engineering study at Huguenot for a larger open pit with the use of truck haulage. On January 9, 2020, the Technical Report was filed on SEDAR. The results of the updated PEA show that the Huguenot Project continues to demonstrate positive economics, has viable development options and is worthy of advancement. Management is pursuing opportunities for financing further work at Huguenot, including the possibility of joint venturing the property, taking into account current market uncertainties. Elements of baseline environmental data collection are ongoing.

WatCo is continuing to pursue the acquisition of Watson Island through its litigation in the British Columbia Supreme Court against the City of Prince Rupert. WatCo is also in discussions with potential investment partners to develop the property into a multi-product bulk facility. The intent is that WatCo will fund and facilitate the development of this plan in consultation with the community, development experts and governments. The goal is to develop the island to highest and best purposes and to maximize the reuse and



repurposing of land, buildings and infrastructure and employ the lowest-impact approach to the operation of the terminal.

An October 2019 investor presentation is available on the Company's website at:

[ccoal.ca/investors/presentations](http://ccoal.ca/investors/presentations)

### ***Results of Operations***

During the six months ended January 31, 2020 the Company reported a loss of \$1,422,228 (\$0.01 per share), compared to a loss of \$662,026 (\$0.00 per share) for the six months ended January 31, 2019. The increase in loss was primarily the result of the following:

- Consulting fees of \$139,271 (2019 - \$90,259) increased as the Company increased its corporate development efforts.
- Management fees of \$300,334 (2019 - \$277,000) were in respect to services rendered by certain officers of the Company. The increase was due to increased compensation to key management.
- Shareholder communications of \$94,206 (2019 - \$22,560) increased as the Company increased its promotional efforts.
- Share-based payments expense of \$594,543 (2019 - \$nil) is from the grant of 2,100,000 to a director and a consultant at an exercise price of \$0.35 per share.
- Travel and promotion expense of \$34,794 (2019 - \$44,914) are comprised of fees to travel to and from the properties as well as executive travel to conferences and other promotional expenses.
- Interest and other income of \$20,564 (2019 - \$32,267) is comprised mostly of income from investing cash reserves in short term investments.

### ***Capital Expenditures***

During the six months ended January 31, 2020 total exploration spending at Huguenot was \$241,961 (2019 - \$94,904), including \$40,650 (2019 - \$27,135) in respect of coal license renewals. The expenditures in the current period were associated primarily with preparation and completion of the updated PEA, the results of which were disclosed in a November 26, 2019 news release.

The Company also incurred deferred exploration expenditures of \$34,159 at Flatbed, including \$3,710 (2019 -\$3,710) in respect of coal license renewals. Explorations expenditures at Flatbed during the comparative period ended January 31, 2019 were \$238,397 associated with preparation and completion of the Flatbed PEA, the results of which were disclosed in a November 12, 2018 news release.

### ***Financing Activities***

During the six months ended January 31, 2020, 10,683,940 warrants were exercised for proceeds of \$2,868,582. Subsequent to January 31, 2020, 9,298,362 warrants were exercised for proceeds of \$2,789,509. On February 3, 2020, 6,230,832 warrants expired unexercised and the Company has no remaining warrants outstanding.

During the six months ended January 31, 2019, 568,702 warrants were exercised for proceeds of \$170,611.

### *Summary of Quarterly Results (unaudited)*

	<b>Three Months Ended (\$)</b>			
	<b>January 31, 2020</b>	<b>October 31, 2019</b>	<b>July 31, 2019</b>	<b>April 30, 2019</b>
Total revenue	Nil	Nil	Nil	Nil
Loss	(1,064,692)	(357,536)	(426,619)	(341,812)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)
Deferred exploration costs	98,869	177,251	185,006	93,252

	<b>Three Months Ended (\$)</b>			
	<b>January 31, 2019</b>	<b>October 31, 2018</b>	<b>July 31, 2018</b>	<b>April 30, 2018</b>
Total revenue	Nil	Nil	Nil	Nil
Loss	(380,761)	(281,265)	(350,476)	(2,243,915)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.02)
Deferred exploration costs	186,865	146,436	309,450	96,856

The loss for the quarter ended January 31, 2020 is significantly higher than previous periods as it includes share-based compensation of \$594,543 relating to the grant of 2,100,000 options.

The loss for the quarter ended April 30, 2018 is significantly higher than previous periods as it includes share-based compensation of \$1,851,387 relating to the grant of 7,325,000 options.

### ***Liquidity and Capital Resources***

As at January 31, 2020, the Company had working capital of \$4,367,054, including cash and cash equivalents of \$4,397,758.

The Company is in the business of exploring for coal which by its nature involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has not as yet put any of its coal properties into commercial production and therefore has no operating revenues. The Company has completed PEAs on its 100%-owned Huguenot Coal Project and the Gordon Creek Coal Project of the Flatbed Property. Based upon coal price and cost assumptions included in Huguenot's current PEA for a larger, stand-alone open pit, the results suggest that the Huguenot project continues to demonstrate positive economics, has viable development options and is worthy of advancement. Stantec's Technical Report on the Gordon Creek Coal Project recommends additional exploratory drilling plus surface seismic data acquisition. The Company is dependent on raising additional financing to fund further exploration and development requirements on existing properties, to fund property acquisitions and for general corporate costs. The only sources of future funds presently available to the Company are the sale of additional equity capital, selling or leasing the Company's interest in a property or entering into joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

The recoverability of the carrying value of the coal properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, demonstration of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

If it is successful in acquiring Watson Island, WatCo's intent is to redevelop Watson Island as a bulk shipping terminal, with a supporting industrial park. These WatCo expenditures would require significant financial resources. The Company is dependent upon share issuances or debt financings, or the disposal of

other assets to provide the funding necessary to meet these expenditures, or alternatively, the Company's interest in WatCo could be diluted.

### ***Transactions with Related Parties***

Related party transactions are as follows:

- During the six months ended January 31, 2020 the Company incurred \$44,000 (2019 - \$44,000) 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 six months ended January 31, 2020 and 2019 was as follows:

	2020	2019
	\$	\$
Director's fees <sup>(1)</sup>	12,167	12,000
Management fees <sup>(2)</sup>	300,334	277,000
Professional fees <sup>(3)</sup>	25,750	24,500
Share-based payments	311,427	-
	649,678	313,500

(1) Fees paid to Ian Downie, Partha Bhattacharyya, Wayne Waters (former director), Anthony Hammond and Greg Waller.

(2) Fees paid to David Austin, John Perry, Anthony Hammond, Greg Waller and Partha Bhattacharyya, or to companies controlled by them.

(3) Includes fees earned by Matt Anderson, CFO. The Company has a consulting agreement with Malaspina Consultants Inc., a company where Mr. Anderson is a managing director.

Amounts due to related parties at January 31, 2020 amounting to \$42,613 (July 31, 2019 - \$26,360) are non-interest bearing and have no specific terms of repayment.

### ***Adoption of new accounting standards and accounting standards issued but not yet applied***

#### **IFRS 16, Leases**

The new standard 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 adopted IFRS 16 effective August 1, 2019. The adoption of this standard did not result in any adjustments to the statement of financial position, the statement of changes in equity or the statement of cash flows as the Company did not have any leases longer than 12 months as at the date of adoption.

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.

### ***Off-Balance Sheet Arrangements***

The Company has not entered into any material off-balance sheet arrangements.

### ***Financial Instruments***

The Company's financial instruments consist of cash, short term investments, receivables, reclamation deposits, accounts payable and accrued liabilities, and amounts payable to related parties.

#### a) Currency risk

As at January 31, 2020, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada and as such has no currency risk associated with its operations.

#### b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations.

The Company's cash is held through a major Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited. Short term investments consist of a guaranteed investment certificate with a major Canadian chartered bank.

#### c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its cash according to its operational needs and to optimize revenues from interest.

#### d) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date.

### ***Outstanding Share Data***

Authorized Capital:

An unlimited number of common shares, without par value, and an unlimited number of preferred shares, issuable in series

Issued and outstanding as at March 30, 2020:

174,268,051 common shares

Outstanding options and warrants as at March 30, 2020:

<b>Type of Security</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry date</b>
Stock options	3,995,000	\$0.77	October 7, 2020
Stock options	7,250,000	\$0.31	April 5, 2028
Stock options	2,100,000	\$0.35	November 20, 2029

### ***Risks and Uncertainties***

The Company's coal projects are in the exploration stage only and commercial coal reserves have yet to be demonstrated. Development of these projects would follow only if favourable exploration results are obtained. There is no guarantee that the Company will ever reach the production stage. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The Company currently has no revenues from operations. If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties.

Additionally, the WatCo planned expenditures will require significant financial resources. The only sources of future funds presently available to the Company are the sale of additional equity capital and the sale or lease of the Company's interest in a property or entering into joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There is no assurance that the Company will be successful in raising additional funds in the future. If the Company does not have the necessary capital to meet its obligations under its contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Company does not have sufficient funds to pursue its exploration programs, the viability of the Company could be jeopardized.

Beyond exploration and funding risk, the Company is faced with a number of other risk factors as detailed in the Annual MD&A.

### ***Disclosure Controls and Procedures and Internal Controls over Financial Reporting***

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the six months ended January 31, 2020 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Other Information***

Mr. John Perry, a director of the Company, is the "qualified person" who reviewed and approved the disclosure of the technical information herein regarding the Company's coal properties.

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.ccoal.ca](http://www.ccoal.ca).