

Colonial Coal International Corp.

Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")

The following information, prepared as of December 27, 2018, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Colonial Coal International Corp. ("CCIC" or the "Company") for the three months ended October 31, 2018, as well as the audited consolidated financial statements for the year ended July 31, 2018 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three months ended October 31, 2018 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 December 27, 2018.
- 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 and its objective to redevelop Watson Island; statements regarding estimated mineral resources and annual clean coal production at the Huguenot Coal Project and the Flatbed Coal Project; 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 July 10, 2018 news release, the Huguenot property underwent an update to its Preliminary Economic Assessment ("PEA"). The original PEA was prepared in 2013 by Norwest Corporation ("Norwest") and the results were the subject of a news release dated September 24, 2013. The new PEA, prepared by Norwest now Stantec Consulting Services Inc. ("Stantec") in accordance with NI 43-101 standards, was filed on SEDAR on August 2, 2018. The results of the recent study show that the Huguenot Project continues to demonstrate positive economics, and that it is worthy of continued exploration and development.

In summary, Stantec used previously reported (2013) in situ and potentially mineable resources plus the 2013 conceptual mine plan to exploit the coal resources through a combination of open pit and underground mining, and updated scoping-level cost estimates and economic analyses for the Huguenot Project.

Highlights of the up-dated PEA are summarized as 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\$1.30.

- The Huguenot Project has an indicative after-tax (and royalty) net present value ("NPV") of US\$1,166 million (CAD\$1,516 million), using a 7.5% discount rate, and an IRR of 33%, based on a coal price of US\$172.00 per tonne.
- The financial analysis suggests that the "break-even" price is less than US\$116, US\$120, and US\$125 per tonne for discount rates of 5%, 7.5% and 10%, respectively. It also indicates that for a 15% IRR, a minimum coal price of US\$135 would be required.
- The Huguenot Project has a total projected mine life of 31 years, with the open pit (Years 1 - 14) and underground (Years 3 - 31) operating simultaneously during Years 3 - 14.
- Measured and indicated in-situ coal resources total 277.7 million tonnes (132.0 million tonnes surface mineable plus 145.7 million tonnes underground mineable). Inferred resources total an additional 119.2 million tonnes (0.5 million tonnes of surface mineable plus 118.7 million tonnes underground mineable).
- The Huguenot Project's potential coal production is identified as hard coking coal similar to coking coal currently exported from northeast British Columbia.
- The base coal price, of US\$172.00 per tonne, used for the study represents a discount of US\$13.00 per tonne from a projected long-term benchmark price of US\$185 per tonne for premium low volatile hard coking coal.
- The PEA economic analysis is based on a conceptual open pit mine plan targeting 56 million run-of-mine ("ROM") tonnes of resource at an average stripping ratio of 8.6 :1 (bank cubic metres (bcm) :ROM tonnes) plus a conceptual underground mine plan that targets an additional 66 million ROM tonnes of resource.
- The Huguenot Project has total projected clean coal production of 89 million tonnes over a mine life of 31 years.
- Projected clean coal production from combined surface and underground mining operations ranges from 1.4 million tonnes per annum ("Mt/a") to 5.9 Mt/a, averaging approximately 3.0 Mt/a.
- Projected clean coal production from the open pit averages approximately 3.2 Mt/a in Years 1 through 12 and 1.8 Mt/a from underground from Years 5 through 31.
- The Huguenot Project's proposed payback of initial capital is estimated within 5 years from start-up of operations.
- The Huguenot Project's cash operating costs are estimated at US\$67.20 per tonne clean coal at the mine loadout.
- The Huguenot Project's estimated direct plus offsite costs (ie, FOB cost), total US\$95.50 per clean tonne (excluding production taxes and royalties).

It was assumed that the Huguenot Project would be connected by rail to the existing rail line south of Tumbler Ridge, and that a third party would construct this rail link, with costs being charged to the Huguenot Project on an annual basis. It was further assumed that other potential projects along that extended rail corridor would come on stream during the same general time frame as the Huguenot Project and that the rail costs would be

shared among several users, such that the Huguenot Project’s share of the annual costs would be no more than 50% of the total (equivalent to US\$4.59/clean tonne over the first 15 years, or US\$2.91/clean tonne over life-of-mine (“LOM”).

The initial capital costs of the Huguenot Project have been significantly reduced by assuming that major equipment items for surface mining would be leased, and are therefore included as cash operating costs. Pre-production capital cost for the proposed mine is estimated at US\$661 million, with additional sustaining capital of US\$178 million over the LOM.

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

TABLE 0.1 ECONOMIC ANALYSES RESULTS (US\$M)

Coal Price	NPV (US\$M) at Varying Discount Rates with IRR			
	5%	7.5%	10%	IRR (%)
US\$172/t	\$1,669	\$1,166	\$831	33%
US\$156/t	\$1,203	\$811	\$551	25%
US\$188/t	\$2,134	\$1,521	\$1,109	40%

TABLE 0.2 ECONOMIC ANALYSES RESULTS (CAD\$M)

Coal Price	NPV (CAD\$M) at Varying Discount Rates with IRR			
	5%	7.5%	10%	IRR (%)
CAD\$224/t	\$2,170	\$1,516	\$1,080	33%
CAD\$203/t	\$1,564	\$1,054	\$717	25%
CAD\$244/t	\$2,775	\$1,977	\$1,442	40%

The 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 July 10, 2018, and in the actual updated PEA, both of which are filed on SEDAR.

Management continues to pursue 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. An application has been filed but supporting documentation still needs to be completed and filed prior to First Nations consultations being initiated.

Flatbed Coal Project

The Flatbed 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 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. 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 (November 27, 2017 and 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 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 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 Norwest 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. 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.

Watson Island

The Company owns 100% of Watson Island Development Corporation (“WatCo”), a company formed to purchase or acquire Watson Island, located near Prince Rupert, British Columbia, for the purpose of the development of a deep sea port and industrial project. As consideration for 45% of the Company’s interest in WatCo, the Company has agreed to pay a former shareholder of WatCo 10% of the proceeds of future financings by WatCo to a maximum of \$800,000.

In July 2012, the City of Prince Rupert (“COPR”) accepted an offer from WatCo to purchase Watson Island, subject to a number of conditions. Sale conditions included the development, approval and funding of a remediation plan for the land, which is contaminated as a result of decades of pulp mill operation. It was also a requirement of the purchase that WatCo would not be obligated for any historical environmental liabilities on Watson Island beyond a proposed lump sum financial contribution to an environmental remediation plan. At the time of entering into the offer to purchase, WatCo had been, and was to continue, funding the land expense costs of Watson Island and offered to fund the planning process and to make a significant contribution to the environmental remediation plan. Other conditions included notice requirements of the local governments, resolution of 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.

Results of Operations

During the three months ended October 31, 2018 the Company reported a loss of \$281,265 (\$0.00 per share), compared to a loss of \$293,247 (\$0.00 per share) for the three months ended October 31, 2017. The decrease in loss was primarily the result of the following:

- Consulting fees of \$25,861 (2017 - \$39,831) decreased as the Company decreased its corporate development efforts.
- Management fees of \$130,500 (2017 - \$124,500) were in respect to services rendered by certain officers of the Company.
- Shareholder communications of \$8,099 (2017 - \$30,629) decreased as the Company decreased its promotional efforts.
- The Company recorded share-based payments expense of \$nil (2017 - \$4,253).
- Travel and promotion expense of \$19,441 (2017 - \$19,169) are comprised of fees to travel to and from the properties as well as executive travel to conferences and other promotional expenses.
- Interest and dividend income of \$17,079 (2017 - \$20,135) decreased due to the decrease in cash reserves available to invest in short-term investments.
- During the three months ended October 31, 2018 the Company recorded a gain of \$nil (2017 - \$24,150) on relinquishment of coal license applications.

Capital Expenditures

During the three months ended October 31, 2018 total exploration spending at Flatbed was \$83,474 associated with preparation and completion of the PEA, the results of which were disclosed in a November 12, 2018 news release. Explorations expenditures at Flatbed during the comparative period ended October 31, 2017 were \$1,064,814 associated with the 2017 drill program as well as preparation of an amendment to the existing Work Permit to allow for surface geophysical (seismic) surveys over parts of the property.

The Company also incurred deferred exploration expenditures of \$62,962 (2017 - \$34,785) at Huguenot, including \$27,135 in respect of coal license renewals.

Financing Activities

There were no financing activities during the three months ended October 31, 2018 and 2017. Subsequent to October 31, 2018, 60,000 warrants were exercised for proceeds of \$18,000.

Summary of Quarterly Results (unaudited)

	Three Months Ended (\$)			
	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Total revenue	Nil	Nil	Nil	Nil
Loss	(281,265)	(350,476)	(2,243,915)	(324,242)
Basic and diluted loss per share	(0.00)	(0.00)	(0.02)	(0.00)
Deferred exploration costs	146,436	309,450	96,856	251,628

	Three Months Ended (\$)			
	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Total revenue	Nil	Nil	Nil	Nil
Loss	(293,247)	(1,010,298)	(369,329)	(282,717)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)
Deferred exploration costs	1,099,599	426,231	54,269	75,690

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.

The loss for the quarter ended July 31, 2017 is greater than other periods as the Company recorded a write down of mineral property of \$641,569 related to the Tuya River Project. Deferred exploration expenditures increased during the quarters ended October 31, 2017 and July 31, 2017 as the Company conducted a field program at the Flatbed project. Deferred exploration costs for the quarter ended July 31, 2017 were offset by a BCMETC recovery amounting to \$53,641.

Liquidity and Capital Resources

As at October 31, 2018, the Company had working capital of \$2,996,434, including cash and cash equivalents of \$2,952,364.

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 Flatbed Coal Project. Based upon coal price and cost assumptions at the time of the Huguenot PEA, the results of the PEA suggested that the Huguenot project had positive economics and that it is worthy of continued exploration and development. Norwest's Technical Report on the Flatbed Coal Project recommends additional exploratory drilling. 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 not disclosed elsewhere in the condensed interim consolidated financial statements are as follows:

- During the three months ended October 31, 2018 the Company incurred \$18,000 (2017 - \$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 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 years ended October 31, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Director's fees ⁽¹⁾	6,000	5,000
Management fees ⁽²⁾	130,500	124,500
Professional fees ⁽³⁾	11,250	11,250
	147,750	140,750

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

(2) Fees paid to David Austin, John Perry, Anthony Hammond and Greg Waller, 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 October 31, 2018 amounting to \$23,871 (July 31, 2018 - \$29,828) 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 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on 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 to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

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.

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. As at October 31, 2018, the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

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 December 27, 2018:

149,818,375 common shares

Outstanding options and warrants as at December 27, 2018:

Type of Security	Number	Exercise Price	Expiry date
Stock options	3,995,000	\$0.77	October 7, 2020
Stock options	250,000	\$0.25	May 1, 2022
Stock options	7,325,000	\$0.31	April 5, 2028
Warrants	25,499,805	\$0.30	February 3, 2020
Warrants (1)	3,237,941	\$0.15	February 3, 2020

(1) Each finder's warrant is exercisable into units at a price of \$0.15 per unit. Each unit comprises one common share and one-half of a share purchase warrant. Each full warrant is exercisable to acquire one additional common share at a price of \$0.30 per share until February 3, 2020.

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 condensed interim consolidated financial statements for the three months ended October 31, 2018 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.

Outlook

As at October 31, 2018, the Company had cash and cash equivalents of \$2.95 million.

At Flatbed, the Company completed its drill program 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 Flatbed 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. The results of the PEA show that the Gordon Creek Project demonstrates positive economics, and that it is worthy of continued exploration and development. Management is considering future exploration activities based on the recommendations in the Technical Report.

Management is also 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. The Company updated the 2013 Huguenot PEA in the summer of 2018, with results disclosed in a news release dated July 10, 2018 and the updated PEA filed on August 2, 2018.

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.

A March 2018 investor presentation is available on the Company's website at ccoal.ca/investors/presentations.

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 and at the Company’s website at www.ccoal.ca.