

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2018 and 2017**

(Unaudited - expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

	Note	October 31, 2018 \$	July 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents		2,952,364	3,428,019
Short term investments		88,038	88,038
Receivables and prepaids	4	69,365	81,719
		3,109,767	3,597,776
Coal properties and deferred exploration	5	12,883,300	12,736,864
Reclamation deposits		222,300	222,300
Equipment		8,105	8,725
Deferred acquisition costs		1	1
		13,113,706	12,967,890
		16,223,473	16,565,666
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		89,462	144,433
Due to related parties	7	23,871	29,828
		113,333	174,261
Equity Attributable to Shareholders			
Share capital	6	32,401,526	32,401,526
Contributed surplus		9,971,106	9,971,106
Deficit		(26,262,492)	(25,981,227)
		16,110,140	16,391,405
		16,223,473	16,565,666

Commitments (Notes 4 and 8)

Subsequent event (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 Comprehensive Loss

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

	Note	2018 \$	2017 \$
Expenses			
Amortization		620	848
Business investigation		718	1,116
Consulting	7	25,861	39,831
Director's fees	7	6,000	5,000
Filing and listing fees		9,647	4,854
Foreign exchange loss		586	1,485
Management fees	7	130,500	124,500
Office and administration		49,243	56,649
Professional fees	7	45,439	45,746
Shareholder communications		8,099	30,629
Share-based payments	6(b)	-	4,253
Travel and promotion		19,441	19,169
Workers compensation fees		2,190	3,452
		(298,344)	(337,532)
Other income (expense)			
Interest income		17,079	20,135
Relinquishment of coal license applications		-	24,150
		17,079	44,285
Net loss and comprehensive loss for the period		(281,265)	(293,247)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of shares outstanding			
- Basic and diluted		149,758,375	148,761,057

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

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital		Contributed Surplus \$	Deficit \$	Total \$
	Number of Shares #	Amount \$			
Balance, July 31, 2017	148,761,057	32,070,801	8,202,631	(22,769,347)	17,504,085
Share-based payments	-	-	4,253	-	4,253
Comprehensive loss for the period	-	-	-	(293,247)	(293,247)
Balance, October 31, 2017	148,761,057	32,070,801	8,206,884	(23,062,594)	17,215,091
Shares issued pursuant to exercise of warrants	997,318	241,116	-	-	241,116
Transfer value on the exercise of warrants	-	89,609	(89,609)	-	-
Share-based payments	-	-	1,853,831	-	1,853,831
Comprehensive loss for the period	-	-	-	(2,918,633)	(2,918,633)
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

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, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

	2018	2017
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(281,265)	(293,247)
Items not affecting cash		
Amortization	620	848
Share-based payments	-	4,253
Interest income	(17,079)	(20,135)
	(297,724)	(308,281)
Interest and dividends received	18,396	12,856
Net change in non-cash working capital items:		
Receivables and prepaids	11,037	(30,745)
Accounts payable and accrued liabilities	(32,403)	(76,578)
Due to related parties	(5,957)	4,877
	(306,651)	(397,871)
Investing activities		
Deferred exploration costs	(169,004)	(988,336)
B.C. Mining Exploration Tax Credits	-	50,551
	(169,004)	(937,785)
Decrease in cash and cash equivalents	(475,655)	(1,335,656)
Cash and cash equivalents, beginning of the period	3,428,019	6,371,293
Cash and cash equivalents, end of the period	2,952,364	5,035,637

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, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

1 Organization and nature of operations

Colonial Coal International Corp. (the “Company”) was incorporated pursuant to the Business Corporations Act of Alberta on August 1, 2007. The Company’s corporate head office is located at Suite 200 – 595 Howe Street, Vancouver, British Columbia, Canada. The Company is listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “CAD”.

The Company’s principal activities include the acquisition, exploration and development of coal properties located in Canada. The Company is also pursuing the acquisition of Watson Island, located just outside of Prince Rupert, British Columbia, for the purpose of developing a seaport terminal and supporting industrial park.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2018, 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, 2018.

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, 2018.

These financial statements were approved by the board of directors for use on December 21, 2018.

3 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

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

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.

4 Receivables and prepaids

	October 31, 2018	July 31, 2018
	\$	\$
GST recoverable	22,879	20,939
Prepaid expenses and other	46,486	60,780
	69,365	81,719

5 Coal properties and deferred exploration (Schedule 1)

	October 31, 2018	July 31, 2018
	\$	\$
Huguenot property, B.C.	10,599,015	10,536,053
Flatbed property, B.C.	2,284,285	2,200,811
	12,883,300	12,736,864

- a) The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 hectares and commonly referred to as the Huguenot property located in the Liard Mining Division, northeastern British Columbia. The Huguenot property is subject to a 1.5% production royalty, including 1.2% which is payable to certain directors of the Company.
- b) The Company owns a 100% interest in eight coal licenses covering 9,607 hectares and commonly referred to as the Flatbed property located in the Liard Mining Division, northeastern British Columbia. The Flatbed property is subject to a 1.5% production royalty, 1.35% of which is payable to certain directors of the Company.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

6 Share Capital

a) Authorized

An unlimited number of common shares without par value.

An unlimited number of preferred shares issuable in series without par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at October 31, 2018.

b) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board.

The Company's stock options outstanding as at October 31, 2018 and July 31, 2018 and the changes for the periods then ended are as follows:

	Number of options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance, July 31, 2017	5,095,000	0.77	2.94
Granted	7,325,000		
Forfeited	(850,000)		
Balance, July 31, 2018	11,570,000	0.47	6.97
Balance outstanding and exercisable, October 31, 2018	11,570,000	0.47	6.72

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

Expiry Date	Exercise price \$	Remaining Life (years)	Options Outstanding	Unvested	Vested
October 7, 2020	0.77	1.94	3,995,000	-	3,995,000
May 1, 2022	0.25	3.50	250,000	-	250,000
April 5, 2028	0.31	9.44	7,325,000	-	7,325,000
			11,570,000	-	11,570,000

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

c) Warrants

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

	Number of Warrants	Weighted Average Exercise Price \$
Balance, July 31, 2017	29,601,467	0.28
Issued on exercise of warrants	193,597	0.30
Exercised	(997,318)	0.24
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Balance, July 31, 2018	28,797,746	0.28
Balance, October 31, 2018	28,797,746	0.28

Warrants to acquire common shares outstanding at October 31, 2018 are as follows:

Expiry Date	Exercise price \$	Warrants Outstanding
February 3, 2020 ⁽¹⁾	0.30	25,559,805
February 3, 2020 ⁽²⁾	0.15	3,237,941
		<hr/> 28,797,746

⁽¹⁾ Subsequent to October 31, 2018, 60,000 of these warrants were exercised for proceeds of \$18,000.

⁽²⁾ 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, 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.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

Compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and directors for services provided during the three months ended October 31, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Director's fees	6,000	5,000
Management fees	130,500	124,500
Professional fees	11,250	11,250
	<u>147,750</u>	<u>140,750</u>

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.

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, 2018, 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).

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

- Deferred exploration expenditures of \$204,524 included in accounts payable and accrued liabilities at October 31, 2017, less expenditures included in accounts payable and accrued liabilities at July 31, 2017 of \$93,261 (net exclusion of \$111,263); and,
- Deferred exploration expenditures of \$Nil included in receivables and prepaids at October 31, 2017, less (\$50,551) at July 31, 2017 related to B.C. Mining Exploration Tax Credits (Net exclusion of \$50,551).

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

10 Segment information

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

11 Subsequent event

Subsequent to October 31, 2018, 60,000 warrants were exercised into 60,000 common shares at an exercise price of \$0.30 per share for proceeds of \$18,000.

Colonial Coal International Corp.**Schedule 1**

Consolidated Schedule of Deferred Exploration Costs

For the three months ended October 31, 2018 and the year ended July 31, 2018

(Unaudited - expressed in Canadian Dollars)

	Huguenot \$	Flatbed \$	Tuya River \$	Total \$
Balance, July 31, 2017	10,270,702	708,629	-	10,979,331
Field programs	23,239	1,100,467	-	1,123,706
Consultants and contractors	105,614	212,224	-	317,838
Licenses and fees	100,738	81,498	-	182,236
Laboratory	-	53,794	-	53,794
Project administration	35,760	48,028	-	83,788
B.C. Mining Exploration Tax Credits	-	-	(1,188)	(1,188)
Advances	-	(3,829)	-	(3,829)
Write-down of mineral property	-	-	1,188	1,188
	265,351	1,492,182	-	1,757,533
Balance, July 31, 2018	10,536,053	2,200,811	-	12,736,864
Field programs	3,952	1,491	-	5,443
Consultants and contractors	20,203	67,778	-	87,981
Licenses and fees	27,135	3,710	-	30,845
Project administration	11,672	10,495	-	22,167
	62,962	83,474	-	146,436
Balance, October 31, 2018	10,599,015	2,284,285	-	12,883,300