

# **Colonial Coal International Corp.**

*(An Exploration Stage Company)*

## **Condensed Interim Consolidated Financial Statements Third Quarter Ended April 30, 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Colonial Coal International Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statements of Financial Position

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(Unaudited - Expressed in Canadian dollars)

	April 30, 2017	July 31, 2016
Note	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,012,959	1,177,590
Short term investments	88,038	88,038
Receivables and prepaids	45,390	41,206
	<u>7,146,387</u>	<u>1,306,834</u>
Coal properties and deferred exploration	11,194,668	11,008,197
Reclamation deposits	222,300	222,300
Equipment	12,720	11,432
Deferred acquisition costs	1	1
	<u>11,429,689</u>	<u>11,241,930</u>
	<u>18,576,076</u>	<u>12,548,764</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	51,872	196,780
Due to related parties	18,904	21,836
	<u>70,776</u>	<u>218,616</u>
<b>Equity Attributable to Shareholders</b>		
Share capital	33,816,841	27,193,476
Contributed surplus	6,447,508	5,992,500
Deficit	(21,759,049)	(20,855,828)
	<u>18,505,300</u>	<u>12,330,148</u>
	<u>18,576,076</u>	<u>12,548,764</u>

Commitments (Notes 5 and 9)

Subsequent event (Notes 7c and 14)

### On behalf of the Board

(signed) "Ian Downie"

(signed) "David Austin"

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

# Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and nine months ended April 30, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended April 30, 2017 \$	Three months ended April 30, 2016 \$	Nine months ended April 30, 2017 \$	Nine months ended April 30, 2016 \$
<b>Expenses</b>					
Amortization		958	1,113	2,661	3,055
Business investigation	6	1,480	250	4,972	12,421
Consulting	8	50,551	23,367	110,976	114,789
Directors' fees	8	4,500	4,500	13,500	13,500
Filing and listing fees		10,017	6,008	16,418	16,670
Financing costs	10	761	-	(8,284)	-
Foreign exchange loss		708	95	869	616
Management fees	8	141,500	121,500	384,500	366,500
Office and administration		74,577	55,452	186,441	155,549
Professional fees	8	46,950	38,553	130,941	161,869
Shareholder communications		22,217	-	22,217	1,509
Travel and promotion		29,898	9,233	66,806	35,299
Workers compensation fees		3,108	2,133	7,442	6,153
		(387,225)	(262,204)	(939,459)	(887,930)
<b>Other income (expense)</b>					
Interest and dividend income		17,896	2,507	21,098	14,631
Impairment of marketable securities		-	-	-	(136,924)
Relinquishment of coal license applications	5	-	23,600	15,140	23,600
<b>Net loss for the period</b>		<b>(369,329)</b>	<b>(236,097)</b>	<b>(903,221)</b>	<b>(986,623)</b>
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss:					
Unrealized loss on marketable securities		-	311,887	-	174,963
Impairment of marketable securities		-	-	-	136,924
<b>Total other comprehensive income for the period</b>		<b>-</b>	<b>311,887</b>	<b>-</b>	<b>311,887</b>
<b>Total comprehensive (loss) income for the period</b>		<b>(369,329)</b>	<b>75,790</b>	<b>(903,221)</b>	<b>(674,736)</b>
<b>Basic and diluted net loss per common share</b>		<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding</b>		<b>147,593,581</b>	<b>96,808,396</b>	<b>113,364,739</b>	<b>96,808,396</b>

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

# Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended April 30, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	Issued Share Capital		Contributed Surplus \$	AOCI \$	Deficit \$	Total \$
	Number of Shares #	Amount \$				
Balance at July 31, 2016	96,808,396	27,193,476	5,992,500	-	(20,855,828)	12,330,148
Shares issued pursuant to private placement of units	51,952,661	7,792,899	-	-	-	7,792,899
Less: cash issuance cost	-	(714,526)	-	-	-	(714,526)
Less: finders' warrants	-	(455,008)	455,008	-	-	-
Total comprehensive loss for the period	-	-	-	-	(903,221)	(903,221)
Balance at April 30, 2017	148,761,057	33,816,841	6,447,508	-	(21,759,049)	18,505,300
Balance July 31, 2015	96,808,396	27,193,476	5,992,500	-	(19,834,473)	13,351,503
Total comprehensive loss for the period	-	-	-	311,887	(986,623)	(674,736)
Balance at April 30, 2016	96,808,396	27,193,476	5,992,500	311,887	(20,821,096)	12,676,767

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

# Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended April 30, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	2017 \$	2016 \$
<b>Cash flows (used in) from operating activities</b>		
Net loss for the period	(903,221)	(986,623)
Adjustments for:		
Amortization	2,661	3,055
Impairment of marketable securities	-	136,924
Interest and dividend income	(21,098)	(14,631)
	(921,658)	(861,275)
Interest and dividends received	9,853	15,481
Changes in non-cash operating working capital		
Change in receivables and prepaids	7,061	(28,182)
Change in accounts payable and accrued liabilities	(155,462)	(64,244)
Change in due to related parties	(2,932)	(2,180)
	(1,063,138)	(940,400)
<b>Cash flows (used in) from investing activities</b>		
Deferred exploration costs	(175,917)	(205,254)
B.C. Mining Exploration Tax Credits	-	96,685
Purchase of equipment	(3,949)	(6,194)
	(179,866)	(114,763)
<b>Cash flows from (used in) financing activities</b>		
Issuance of shares	7,792,899	-
Share issue costs	(714,526)	-
Deferred financing costs	-	(48,914)
	7,078,373	(48,914)
<b>Increase (decrease) in cash</b>	5,835,369	(1,104,077)
<b>Cash - Beginning of the period</b>	1,177,590	2,090,437
<b>Cash - End of the period</b>	7,012,959	986,360
<b>Cash and cash equivalents are comprised of:</b>		
Cash	307,914	986,360
Cash equivalents	6,705,045	-
	7,012,959	986,360

**Supplemental cash flow information** (Note 11)

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

# Colonial Coal International Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(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, 2016, 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, 2016.

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, 2016.

These financial statements were approved by the board of directors for use on June 28, 2017.

## 3 Accounting standards issued but not yet applied

The following new standards have been issued but not yet applied:

- a) IFRS 9, *Financial Instruments*, was issued in July 2014 and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific 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

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(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made for use of fair value through other comprehensive income which results in changes in fair value not being recycled to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

- b) IFRS 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2018, with early adoption permitted. The Company has not completed its assessment of the impact of this standard.
- c) IFRS 16, *Leases*, was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

## 4 Receivables and prepaids

	April 30, 2017	July 31, 2016
	\$	\$
GST recoverable	22,441	17,663
Prepaid expenses and other	22,949	23,543
	<u>45,390</u>	<u>41,206</u>

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

	April 30, 2017	July 31, 2016
	\$	\$
Huguenot property, B.C. a)	10,185,425	10,141,349
Flatbed property, B.C. b)	365,623	247,134
Tuya River property, B.C. c)	643,620	619,714
	<u>11,194,668</u>	<u>11,008,197</u>

- a) The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 hectares and commonly referred to as the Huguenot property located in the Liard Mining Division, northeastern British



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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(Unaudited - Expressed in Canadian dollars)

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. During the nine months ended April 30, 2017 the Company was granted one coal license and relinquished a further 2 coal license applications covering 435 hectares and was reimbursed \$13,090 for the two relinquished applications plus a portion of the original applied-for area (of the granted coal license) that was eventually classified by Government as Coal Reserve. The Flatbed property is subject to a 1.5% production royalty, 1.35% of which is payable to certain directors of the Company.
- c) The Company owns a 100% interest in four coal licenses covering an area of 998 hectares and commonly referred to the Tuya River property located in northwestern British Columbia. The Company has also made application for an additional ten coal licenses covering an area of 2,125 hectares in respect of this property. The Tuya River property is subject to a 1.5% production royalty, payable to a director of the Company.

## 6 Deferred acquisition costs

	April 30, 2017 \$	July 31, 2016 \$
Watson Island	1	1

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 current court actions against the local governments 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 British Columbia

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(Unaudited - Expressed in Canadian dollars)

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.

Management reviewed the carrying value of deferred acquisition costs as at July 31, 2014 and, in view of uncertainties, wrote down the deferred costs to a nominal amount of \$1. The Company is continuing with its litigation against the COPR to enforce WatCo's rights in connection with the acquisition.

During the nine months ended April 30, 2017, the Company incurred \$4,972 (2016 - \$12,421) in costs associated with the proposed acquisition of Watson Island. These costs have been expensed as business investigation costs.

## 7 Share capital

### a) Authorized

An unlimited number of common shares without par value.

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

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at April 30, 2017.

### b) Financings

In February 2017, the Company closed a non-brokered private placement financing through the issuance of 51,952,661 units (each a "Unit") at a price of \$0.15 per Unit for gross proceeds of \$7,792,899. Each Unit consists 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. The Company allocated a value of \$nil to the warrants using the residual value method where the common share is valued first and the residual value, if any, is allocated to the warrants.

The Company also issued 3,625,136 finders' warrants entitling the holder thereof to purchase one Unit at an exercise price of \$0.15 per Unit for a period of three years from the date of issue. The Company fair valued the finders' warrants at \$455,008 using the Black-Scholes Option Pricing Model based on the following assumptions: stock price - \$0.18; exercise price - \$0.15; risk free rate - 0.93%; expected life - 3 years; expected volatility - 111%; and expected dividend - \$nil.

The Company paid finders' fees and legal and other costs amounting to \$714,526 in respect of this financing.

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(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(Unaudited - Expressed in Canadian dollars)

## c) Stock options

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

The Company's stock options outstanding as at April 30, 2017 and July 31, 2016 are as follows:

	<b>Number of options</b>	<b>Weighted Average Exercise price \$</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>
Balance – July 31, 2016	4,845,000	0.77	4.19
Balance, outstanding and exercisable – April 30, 2017	4,845,000	0.77	3.44

Options to acquire common shares outstanding at April 30, 2017 are as follows:

<b>Number Outstanding</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
4,845,000	0.77	October 7, 2020

Subsequent to April 30, 2017, the Company granted 250,000 options (Note 14).

## d) Warrants

The Company's warrants outstanding as at April 30, 2017 and July 31, 2016 and the changes for the periods then ended are as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise price \$</b>
Balance – July 31, 2016	-	-
Issued	29,601,467	0.28
Balance, outstanding and exercisable – April 30, 2017	29,601,467	0.28

# Colonial Coal International Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(Unaudited - Expressed in Canadian dollars)

Warrants to acquire common shares outstanding at April 30, 2017 are as follows:

<b>Number Outstanding</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
25,976,331	0.30	February 3, 2020
<sup>(1)</sup> 3,625,136	0.15	February 3, 2020
<u>29,601,467</u>		

<sup>(1)</sup> Exercisable into units comprised of one common share of the Company and one-half of a transferable common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.30 per common share up to February 3, 2020.

## 8 Related party transactions

Related party transactions during the three and nine months ended April 30, 2017 and 2016 not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>April 30, 2017</b>	<b>April 30, 2016</b>	<b>April 30, 2017</b>	<b>April 30, 2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Consulting fees	28,000	15,000	58,000	45,000
Directors' fees	4,500	4,500	13,500	13,500
Management fees	141,500	121,500	384,500	366,500
Professional fees	21,000	15,500	57,300	61,300
	<u>195,000</u>	<u>156,500</u>	<u>513,300</u>	<u>486,300</u>

Amounts due to related parties at April 30, 2017 amounting to \$18,904 (July 31, 2016 - \$21,836) are non-interest bearing and have no specific terms of repayment.

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.

The compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and directors for services rendered during the three and nine months ended April 30, 2017 and 2016 is as follows:

# Colonial Coal International Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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(Unaudited - Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30,	April 30,	April 30,	April 30,
	2017	2016	2017	2016
	\$	\$	\$	\$
Directors' fees	4,500	4,500	13,500	13,500
Management fees	141,500	121,500	384,500	366,500
Professional fees	21,000	15,500	57,300	61,300
	<u>167,000</u>	<u>141,500</u>	<u>455,300</u>	<u>441,300</u>

## 9 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.

## 10 Proposed disposal of property interest

In October 2015, the Company entered into a letter agreement ("Letter Agreement") with a certain investor group (the "Investor") which provided for the terms and conditions of each of a proposed private placement of units together with the corresponding agreement by the Investor to acquire a 10% registered and beneficial ownership interest in the Company's Flatbed property which would become available to the Investor upon the successful completion of the private placement. In February 2017, the Company determined that it would not proceed with the Letter Agreement.

During the nine months ended April 30, 2017, the Company recorded a recovery of previously expensed financing costs in respect of the Letter Agreement of \$8,284.

## 11 Non-cash transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the nine months ended April 30, 2017, the following transactions were excluded from the consolidated statement of cash flows:

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

# Colonial Coal International Corp.

*(An Exploration Stage Company)*

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2017 and 2016

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*(Unaudited - Expressed in Canadian dollars)*

During the nine months ended April 30, 2016, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred exploration expenditures of \$nil included in accounts payable and accrued liabilities at April 30, 2016, less expenditures included in accounts payable and accrued liabilities at July 31, 2015 of \$17,248 (net inclusion of \$17,248); and,
- Deferred financing expenditures of \$59,952 included in accounts payable and accrued liabilities at April 30, 2016, less expenditures included in accounts payable and accrued liabilities at July 31, 2015 of \$nil (net exclusion of \$59,952).

## 12 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at April 30, 2017 and July 31, 2016, all the operations and assets were in Canada.

## 13 Financial instruments

The Company's financial instruments consist of cash, short term investments, receivables, reclamation deposits, accounts payable and accrued liabilities, and due to related parties. The Company has designated its cash, short term investments, receivables and reclamation deposits as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities, which are measured at amortized cost.

The Company's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

There have been no changes in any risk management policies since July 31, 2016.

## 14 Subsequent event

Subsequent to April 30, 2017, the Company granted 250,000 stock options to a consultant with an exercise price of \$0.25 per share and an expiry date of May 1, 2022. The options vest over a period of 12 months with 25% of the options vesting three months from the date of grant and 25% every three months thereafter.

# Colonial Coal International Corp.

Schedule 1

*(An Exploration Stage Company)*

Condensed Interim Consolidated Schedule of Deferred Exploration Costs

For the nine months ended April 30, 2017 and the year ended July 31, 2016

*(Unaudited - Expressed in Canadian dollars)*

	<b>Huguenot property</b>	<b>Flatbed property</b>	<b>Tuya River property</b>	<b>Rocky Creek property</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance at July 31, 2015</b>	9,967,435	132,848	610,047	9,643	10,719,973
Field programs	14,273	-	-	-	14,273
Consultants and contractors	72,454	34,879	14,956	-	122,289
Licenses and fees	105,338	63,689	14,970	-	183,997
Laboratory	1,050	-	-	-	1,050
Project administration	40,488	28,688	3,767	-	72,943
B.C. Mining Exploration Tax Credits	(59,689)	(12,970)	(24,026)	-	(96,685)
Write-down of mineral property	-	-	-	(9,643)	(9,643)
	173,914	114,286	9,667	(9,643)	288,224
<b>Balance at July 31, 2016</b>	10,141,349	247,134	619,714	-	11,008,197
Field programs	16,761	6,765	-	-	23,526
Consultants and contractors	5,024	58,307	4,881	-	68,212
Licenses and fees	13,515	-	19,025	-	32,540
Project administration	8,776	53,417	-	-	62,193
	44,076	118,489	23,906	-	186,471
<b>Balance at April 30, 2017</b>	10,185,425	365,623	643,620	-	11,194,668