

Colonial Coal and Tuya Energy Inc. proposed business combination.

Colonial Coal {TSX.V: CAD} President and CEO David Austin has announced a proposed business combination of Colonial Coal and Tuya Energy Inc., for the consideration of 31.7 million shares.

The deal is subject to the usual court and regulatory approvals, plus the approval of the shareholders of the respective companies.

Comment

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In a sign of the opportunities the the current low junior market is producing, **Colonial Coal {TSX.V: CAD}** today announced they were combining with **Tuya Energy Incorporated**, a private company formed by Colonial CEO and President David Austin. (Subject to court, regulatory, and shareholder approvals).

To conclude the deal Colonial will issue 31.7 million shares to Tuya shareholders, at the ratio of one Colonial share for every two Tuya shares.

Tuya has a good treasury and significant thermal coal assets, in north eastern British Columbia, Canada.

This is a clever move, with distinct advantages for shareholders of both companies.

For Colonial, Tuya offers coal type diversity and substantial

additional resources.

For Tuya shareholders this deal provides a public listing that would have otherwise been very difficult in the current market malaise for junior explorers, and an exit strategy.

Tuya has;

- Substantial thermal coal assets.
- A good treasury.
- Diversity, having mainly thermal coal. (Not currently popular due to the very low current price, but with the Canadian dollar falling over 20% versus the US dollar, such assets are starting to look more attractive again).

Colonial Has;

Substantial metallurgical coal assets.

Exploration potential at Flatbed.

A good treasury.

Is currently in discussions with the City of Prince Rupert re the Watson Island port facility.

Opinion

The combination of the two entities at this point makes perfect sense, as the combined entity will have a strong treasury, significant coal assets of both types, and funding for exploration on their properties, with the immediate focus likely to be establishing a resource for their Flatbed property, I would imagine.

The issuing of 31.7 million shares raises the fully diluted shares of CAD by around 50%, but the advantages of this

combination look to far outweigh any dilution concerns.

Official news release

Colonial Coal to acquire Tuya Energy for 31.7M shares

2015-01-27 19:43 ET – News Release

Mr. David Austin reports

COLONIAL COAL INTERNATIONAL CORP. TO ACQUIRE TUYA ENERGY INC.

Colonial Coal International Corp. and Tuya Energy Inc. have entered into an arrangement agreement whereby Colonial will, by way of an amalgamation between Tuya and a wholly owned subsidiary of Colonial, acquire all of the issued and outstanding common shares of Tuya pursuant to a court-approved plan of arrangement under the Business Corporations Act (British Columbia).

Under the terms of the transaction, each Tuya shareholder will be entitled to receive 0.5 of a common share of Colonial for each Tuya share held. Based on the current outstanding share capital of Tuya, if the transaction is completed, Colonial will issue approximately 31,716,500 Colonial shares to acquire all of the outstanding Tuya shares. Upon completion of the transaction, current Colonial shareholders and current Tuya shareholders will hold approximately 67 per cent and 33 per cent, respectively, of the total issued and outstanding Colonial shares.

Colonial and Tuya are non-arm's-length parties by virtue of the fact that they have the same directors and management. As a result, pursuant to applicable corporate law requirements and TSX Venture Exchange policies, the transaction must be approved by at least: (i) 66-2/3 per cent of the votes cast by Colonial shareholders present in person or by proxy at a meeting of Colonial shareholders; and (ii) a simple majority

of the votes cast in person or by proxy by Colonial shareholders, excluding the Colonial shares held by insiders of Tuya and Colonial. In addition, the transaction must be approved by at least: (i) 66-2/3 per cent of the votes cast by Tuya shareholders present in person or by proxy at a meeting of Tuya shareholders; and (ii) a simple majority of the votes cast in person or by proxy by Tuya shareholders, excluding the Tuya shares held by insiders of Tuya and Colonial. The meetings of Colonial and Tuya shareholders to, among other things, approve the transaction are both expected to be held on or about March 19, 2015. Completion of the transaction is also subject to the approval of the Supreme Court of British Columbia and the exchange. In addition, the transaction is conditional on Tuya having no less than \$2.5-million of working capital at the time of closing (including amounts owing from Colonial to Tuya under an existing loan) and the satisfaction of certain other closing conditions customary for transactions of this nature.

The boards of directors of Colonial and Tuya have reviewed the proposed transaction with advice from independent financial advisers and legal counsel. Colonial has retained Evans & Evans Inc. and Tuya has retained Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisor Services, jointly, in order to provide a fairness opinion in connection with the transaction. Having received legal advice, as well as a fairness opinion from their respective financial advisers, and after careful consideration of such other matters as they considered relevant, the boards of directors of Colonial and Tuya have each approved the transaction and will recommend to their respective shareholders to vote in favour of the transaction.

A copy of the arrangement agreement will be filed on SEDAR under Colonial's profile. Full details of the transaction will be included in a joint management information circular of Colonial and Tuya to be filed with applicable Canadian

securities regulatory authorities, and are expected to be mailed to shareholders in February, 2015.

About Tuya Energy Inc.

Tuya is a privately held, Vancouver-based coal exploration and development company. Tuya's principal property is the Tuya River coalfield property, a thermal coal property located between Telegraph Creek and Dease Lake in north western British Columbia.

We seek Safe Harbour.