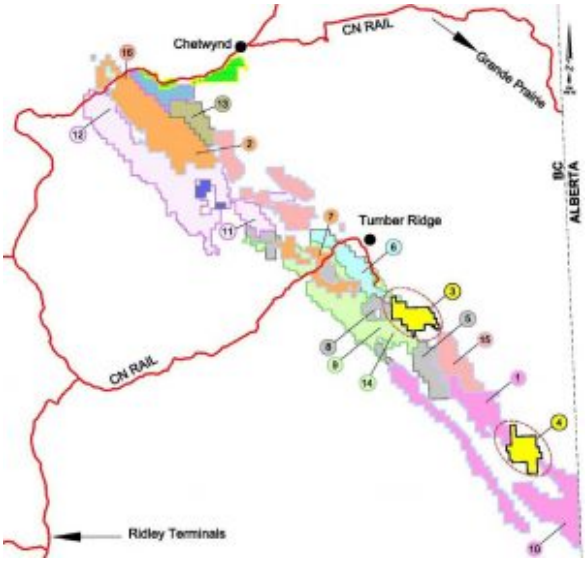
Colonial Coal announce an updated PEA for Huguenot, massive uplift on NPV

Colonial Coal International Corp.

Has released an updated PEA for the company's 100-per-cent-owned Huguenot hard coking coal project, in northeast British Columbia.

The highlight is the NPV of CAD $1.56 billion, using a 7,5% discount rate, and a coal price of US $172 (Currently US $202).



Map of the Peace River Coalfield, Flatbed is licence 3, and Huegenot licence 4

Colonial Coal releases PEA results for Huguenot

2018-07-10 13:20 ET – News Release

Mr. David Austin reports

COLONIAL COAL ANNOUNCES RESULTS OF UP-DATED PRELIMINARY ECONOMIC ASSESSMENT FOR ITS HUGUENOT PROJECT

Colonial Coal International Corp. has released the results of a recently updated preliminary economic assessment for the company's 100-per-cent-owned Huguenot hard coking coal project, located approximately 85 kilometres southeast of Tumbler Ridge in northeast British Columbia.

The original PEA report was prepared in 2013 by Norwest Corporation ("Norwest") and the results were the subject of a news release dated September 24, 2013. The up-dated PEA report, prepared by Norwest now Stantec Consulting Services Inc. ("Stantec") in accordance with CSA National Instrument 43-101 ("NI 43-101") standards, will be completed and filed on SEDAR (the System for Electronic Document Analysis and Retrieval) within 45 days. The results of the up-dated PEA 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 up-dated scoping-level cost estimates and economic analyses for the Huguenot Project. Highlights of the up-dated PEA report respecting the Huguenot Project are summarised 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). Included in the up-dated PEA are previously disclosed NI 43-101 compliant resource estimates originally reported by Norwest in September, 2013. These resource estimates are tabulated below:

Deposit type	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Surface	96.2	35.75	0.53
Underground	18.85	126.88	118.66
TOTAL	115.05	162.63	119.19

Conceptual mine plans developed in the study utilise surface mining for the steeper dipping sections of the North, Middle and South resource blocks, while the shallower dipping portions of the North Block below the economic limits of the open pit were conceived as being mineable by underground longwall mining techniques. Coal resources accounted for in both the open pit and underground mine plans were estimated as:

Mining Method	ROM (Mt)	Clean (Mt)
Open Pit	56	39
Underground	66	50
TOTAL	122	89

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:

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%

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%

This 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 categorised as mineral reserves. There is no certainty that the forecast results stated in the PEA will be realised.

This press release has been reviewed by Warren Evenson of Stantec, a Professional Geologist and a Qualified Person, as defined in NI 43-101.

About Colonial Coal International Corp.

Colonial is a publicly traded pure-play hard coking coal company in British Columbia. The northeast Coal Block of British Columbia, within which our Company’s projects are located, hosts a number of proven deposits and has been the subject of M&A activities by Xstrata, Walter Energy, Anglo-American, Conuma and others.

We seek Safe Harbor.