

Colonial Coal raise \$2.4 million at a 100% premium

Colonial Coal {TSX.V: CAD} announced a financing to a major new investor at 10c per share (plus a half warrant at 20c for two years), representing 19.86% of issued stock.

This is a huge vote of confidence in the assets and management team at Colonial. Drilling the highly prospective Flatbed property is now a priority, and positions Colonial amongst the very few exploration and development companies able to spend on exploration in these tough times.

Colonial Coal arranges \$2.4-million private placement

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Mr. David Austin reports.

PROPOSED PRIVATE PLACEMENT AND 10% FLATBED PROPERTY INTEREST ACQUISITION

Colonial Coal International Corp.{TSX.V: CAD} has recently entered into a letter agreement with a certain investor group which provides for the terms and conditions of each of a proposed private placement of units of the corporation together with the corresponding granting by the corporation to the investor of an option to acquire a 10-per-cent registered and beneficial ownership interest in the corporation's Flatbed property, which will become available to the investor upon the

successful completion of the private placement.

David Austin, the corporation's president and chief executive officer, stated: *"I am very pleased that we have been able to identify a potential long-term partner for the development of the company's various property and business interests. We are hopeful that this partnership will continue to grow as Colonial Coal explores its many options going forward."*

Private placement

In conjunction with the proposed private placement, the corporation has agreed to offer up to 24 million units of the corporation, representing approximately 19.866 per cent of the presently issued and outstanding common shares of the corporation as of the date hereof on a non-diluted basis, to the investor at a price of 10 cents per unit for gross proceeds of up to \$2.4-million. Each unit comprises one common share and one-half of one common share purchase warrant of the corporation, with each whole warrant entitling the investor to purchase an additional common share at an exercise price of 20 cents per common share for a period of two years from closing of the private placement. [The private placement is expected to close in the next three weeks.](#)

No finder's fees will be payable by the corporation in connection with the completion of the private placement, and the corporation presently intends to utilize the proceeds of the private placement to initiate the first phase of the corporation's planned and mutually agreed upon exploration program on its Flatbed property, and for general corporate and

working capital purposes.

Closing of the private placement is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, inclusive of that of the TSX Venture Exchange. In accordance with the policies of the exchange, the corporation may be required to obtain disinterested shareholder approval to the investor becoming a control person (as defined by Policy 1.1 of the exchange) by virtue of any warrant exercise which would cause the investor to hold more than 20 per cent of the outstanding common shares. The corporation shall attend to obtaining disinterested shareholder approval as soon as reasonably practicable after the private placement closing.

Upon the successful completion of the entire private placement closing, however, subject at all times to any prior suitability and filing requirements of the exchange and all applicable securities laws and regulators, the investor will be entitled to the immediate appointment of one member to the corporation's board of directors. In connection with such initial appointment, the corporation shall immediately grant to such initial appointee, in accordance with the provisions of the corporation's current share option plan, as amended, a vesting (equally over 12 months) stock option to acquire up to two million common shares at an exercise price of 10 cents per common share for a period of five years from the date of such grant. In this respect, and in accordance with current exchange policy and the provisions of the corporation's option plan, the initial option price may be subject to adjustment upwards at the time of the initial option grant so as to ensure that the initial option price represents the corporation's current market trading price at the time.

All securities issued in connection with the private placement will be subject to a statutory hold period of four months plus one day from the date of issuance of the securities in accordance with applicable Canadian securities legislation.

Acquisition

Upon the successful completion of the entire private placement closing, the investor shall immediately acquire an option, exercisable within 90 calendar days of execution of the letter agreement, to acquire a 10-per-cent registered and beneficial ownership interest in those certain coal licenses that together comprise the Flatbed property located in the Liard mining division in northeastern British Columbia, Canada, for cash consideration of \$5-million.

Pursuant to the terms and conditions of a proposed form of mineral property option agreement which is set forth in Schedule B thereto, it is acknowledged and agreed that the final form of acquisition agreement will be mutually agreed upon prior to the private placement closing. The acquisition is is expected to close before year-end.

Upon the successful completion of the acquisition closing, it is presently intended that the private placement and acquisition proceeds will be utilized by the corporation to complete the corporation's planned and mutually agreed upon exploration program on its Flatbed property, and for general corporate and working capital purposes resulting therefrom.

Upon the successful completion of the acquisition closing, and in addition to the initial appointment and the initial option grant already provided for upon the successful completion of the entire private placement closing, however, subject at all times to any prior suitability and filing requirements of the exchange and all applicable securities laws and regulators, the investor will also be entitled to the immediate appointment of an additional member to the corporation's board of directors with one member of the corporation's then board of directors resigning. In connection with such additional appointment, the corporation shall immediately grant to such additional appointee, in accordance the provisions of the corporation's option plan, a vesting (equally over 12 months) stock option to acquire up to two million common shares at an exercise price of 10 cents per common share for a period of five years from the date of such grant. In this respect, and again in accordance with current exchange policy and the provisions of the corporation's option plan, the additional option price may be subject to adjustment upwards at the time of the additional option grant so as to ensure that the additional option price represents the corporation's current market trading price at the time.

We seek Safe Harbor.