

Colonial Coal to raise \$2.4M, sell 10% of Flatbed property

Colonial Coal International Corp. {TSX.V: CAD} has recently entered into a new letter agreement with an investor group for a private placement into the company, and an agreement to purchase 10% of the Flatbed property.

The Flatbed property deal will become available after the finalisation of the private placement.

2016-05-02 11:55 ET – News Release

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 new 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 agreement by the investor 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 re-establish 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 sell 24,000,000 units (each a "Unit") of the Corporation; representing approximately 19.866% of the presently issued and outstanding common shares of the Corporation (each a "Common Share") as of the date hereof on a non-diluted basis; to the Investor at a price of \$0.10 per Unit for gross proceeds of \$2,400,000.

Each Unit is comprised of one Common Share and one Common Share purchase warrant (each a "Warrant") of the Corporation, with each such Warrant entitling the Investor to purchase an additional Common Share at an exercise price of \$0.20 per Common Share for a period of two years from closing of the Private Placement (the "Private Placement Closing"). The Private Placement is expected to close by May 9, 2016.

No finder's fees will be payable by the Corporation in connection with the completion of the Private Placement.

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 (the "Exchange"). In accordance with the policies of the Exchange, the Corporation may be required to obtain disinterested shareholder approval (the "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% of the outstanding Common Shares. The

Corporation shall attend to obtaining Disinterested Shareholder Approval as soon as reasonably practicable after the Private Placement Closing.

Acquisition

Upon the successful completion of the entire Private Placement Closing the Investor has agreed to acquire, within two business days of the Private Placement Closing, a 10% registered and beneficial ownership interest (the "10% Interest"; both carried and then working (as described below)) in those certain coal licenses that together comprise the Corporation's Flatbed Property located in the Liard Mining Division in Northeastern British Columbia, Canada (collectively, the "Flatbed Property") for cash consideration of \$5,000,000 (the "Acquisition"); pursuant to the terms and conditions of a proposed form of "Mineral Property Acquisition and Joint Venture Agreement" which is set forth in Schedule "B" to the Letter Agreement (the "Acquisition Agreement"); it being acknowledged and agreed that the final form of Acquisition Agreement will be mutually agreed upon prior to the Private Placement Closing (collectively, the "Acquisition Closing"). The Acquisition is expected to close before by May 11, 2016.

Subsequent to the Acquisition Closing, such initial carried 10% Interest will be subject to straight line dilution upon the Company first funding and incurring, directly or indirectly, an aggregate of \$5,000,000 in exploration and development expenditures on the Flatbed Property, at which time the parties will form a joint venture for the purpose of carrying out further development work and production on the Flatbed Property (the "Joint Venture"); all pursuant to the terms and conditions of a proposed form of "Joint Venture

Agreement" which is set forth in Schedule "C" to the proposed Acquisition Agreement; and which Joint Venture shall include, but not be limited to, the following provisions:

(a) the Company shall be the initial manager of the Joint Venture and the Company shall remain the manager as long as the Company has not less than a 50% participating interest in the Flatbed Property; (b) the operations of the Joint Venture shall be overseen by a management committee, with each party to have voting rights on such committee equal to their participating interest in the Joint Venture. In the event that the parties' interests become equal, the manager shall have a casting vote; (c) the participating interests of the parties in the Joint Venture shall be subject to dilution for non-contribution to costs in proportion to their respective interests on a straight line basis and with an initial deemed cost basis of \$5,000,000 (that being as to \$4,500,000 for the Company and as to \$500,000 for the Investor); provided that should the Investor's participating interest, at any time, equal to or fall below 2%, then the Investor's then participating interest shall be deemed to be converted into a 2% net profits interest royalty (the "NPI Royalty"); as defined by Exhibit "D" to the proposed Joint Venture Agreement; and (d) the Company may elect at any time to purchase all or a portion of the NPI Royalty from the Investor for the sum of \$12,500,000 per each 1% of the NPI Royalty.

Other Transaction matters

Upon the successful completion of the Acquisition 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 immediate appointment of two members (the "Appointees") to

the Company's Board of Directors (the "Appointments") with one member of the Company's then Board of Directors resigning. In connection with such Appointments, the Company shall immediately grant to each of the Appointees, in accordance the provisions of the Company's Option Plan, a vesting (equally over 12 months) stock option to acquire up to 2,000,000 Common Shares at an exercise price of \$0.10 per Common Share (the "Option Price") for a period of five years from the date of such grant (the "Option"). In this respect the Parties acknowledge and agree that, in accordance with current Exchange policy and the provisions of the Company's Option Plan, the Option Price may be subject to adjustment upwards at the time of the Option grant so as to ensure that the Option Price represents the Company's current market trading price at the time.

Upon the successful completion of the Acquisition Closing it is presently expected that Private Placement and the Acquisition proceeds will be utilized by the Company to complete the Company's planned and to be mutually agreed upon exploration program on its Flatbed Property and for Company general corporate and working capital purposes resulting therefrom.

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. In addition, the securities referred to in this news release have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This news release shall not constitute an offer to sell or the

solicitation or an offer to buy nor shall there be any sale of the securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful. The Shares and Warrants to be issued by the Corporation will be "restricted securities" as defined under Rule 144(a)(3) of the U.S. Securities Act.

We seek Safe Harbor.