

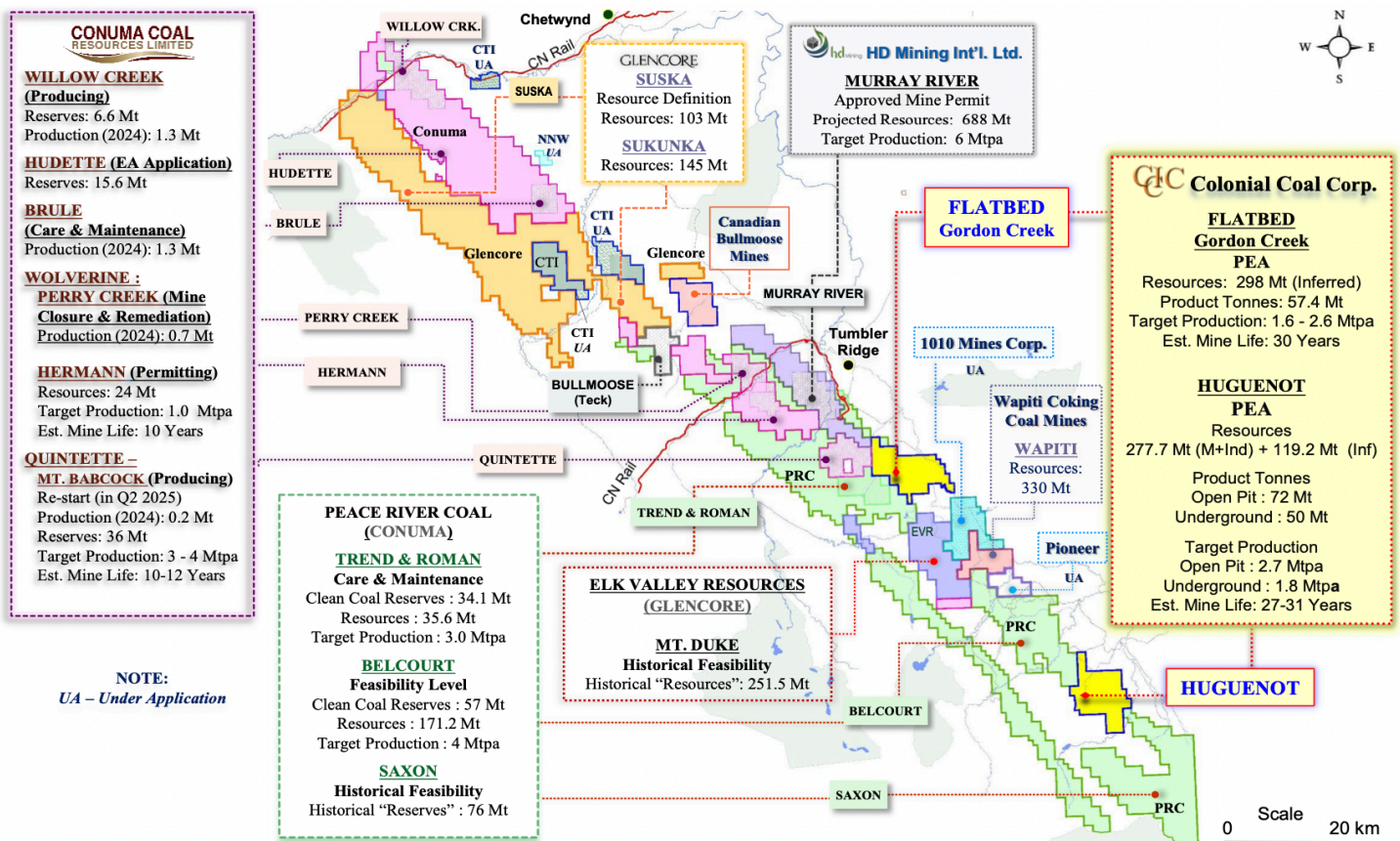
## Colonial Coal International Corp.

**CAD \$2.43**

TSX Exchange | OTCQX:CCARF | Market Cap \$450M

**Description:** Colonial Coal is a pure-play metallurgical (met) coal development company. It owns 100% of two major coal projects in the Peace River Coalfield in northeastern British Columbia: Huguenot and Flatbed. The 9,531-hectare (ha) Huguenot property, which could include open pit and underground operations, abuts two properties owned by Conuma Resources, a private company. Both Conuma properties (Belcourt and Saxon) are being evaluated for their feasibility. Colonial’s 9,607-ha Flatbed property, which could host an underground mine, lies on the border of Conuma’s Quintette Mine, which restarted production in 2Q 2025. See Figure 1.

**Figure 1: Locations of Huguenot and Flatbed Projects Within the Peace River Coalfield**



**Source:** Colonial Coal International Corp. July 2025 Investor Presentation.

**Characteristics of Colonial Coal’s Met Coal Resources:** Huguenot and Flatbed have nearly 700 million tonnes of steelmaking coal resources, per an NI 43-101 compliant global resource estimate. When fully operational, the projects could produce 6.1 to 7.1 million tonnes of coal per year. See Table 1.

**Table 1: Summary of Huguenot and Flatbed Met Coal Resources**

	<u>Coal Resources, in millions of tonnes</u>	<u>Type of Coal</u>	<u>Target Annual Production, in millions of tonnes</u>	<u>Estimated Mine Life, in years</u>
Huguenot	397 (A)	Premium Hard Coking Coal	4.5	27 - 31
Flatbed	298 (B)	Hard Coking Coal and Premium PCI Coal	1.6 to 2.6	30
<b>Total</b>	<b>695</b>		<b>6.1 to 7.1</b>	

**Footnotes:**

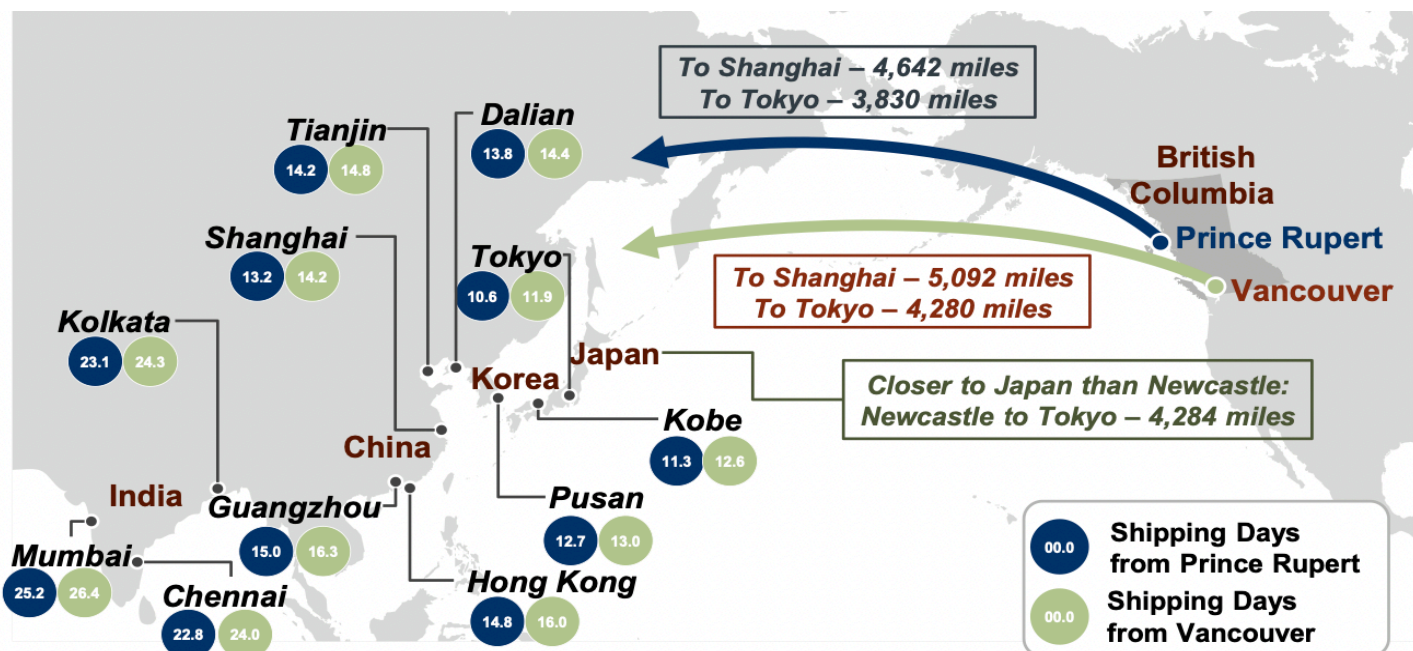
(A) 277.7 million tonnes on a measured plus indicated basis; 119.2 million tonnes on an inferred basis.

(B) 298 million tonnes on an inferred basis.

**Source:** Colonial Coal International Corp. July 2025 Investor Presentation.

The British Columbia ports from which Colonial’s coal would be shipped have significant logistical advantages. They represent the closest port of entry from the west coast of North America to Asia. See Figure 2.

**Figure 2: Shipping Days from British Columbia to Key Asian Markets**



**Source:** Colonial Coal International Corp. July 2025 Investor Presentation.



**Colonial Coal is Actively Marketing Its Coal Properties:** Colonial has been actively trying to sell itself for a number of years. Until the last year or so, this effort was hampered by the previous Canadian federal government's strained relationships with India and China, countries which require new sources of met coal to meet the long-term needs of domestic steelmakers. Constructively, former central banker Mark Carney assumed the prime minister's role in March 2025, and by all accounts, he has repaired Canada's relations with these key trading and economic partners. See pages 6-7.

Colonial hinted at an improving backdrop for its efforts to sell the company in a Material Change Report it posted in November 2025. In its release, Colonial noted "that discussions with several interested parties have recently accelerated" and that "the Company is hopeful [these talks] will result in enhanced shareholder value for Colonial Coal."

Importantly, the global investment bank Citigroup Inc. (NYSE: C), which is widely respected in the energy industry, continues to serve as a financial advisor to Colonial, a relationship which commenced in April 2024. An unusual aspect of Citigroup's advisory relationship with Colonial is the coal developer's relatively small size (a stock market cap of around C\$450 million). Citigroup's advisory clients are typically much larger entities. For example, the investment bank was an advisor in the Teck Resources Limited (NYSE: TECK) - Glencore plc (LSE: GLEN) US\$7.3 billion metallurgical coal deal which closed in July 2024, and was the financial advisor to Nippon Steel Corporation (OTC:NPSCY) in its US\$15 billion acquisition of United States Steel Corporation. That deal closed in June 2025. Consequently, one interpretation of Citigroup's continuing representation of Colonial Coal is the investment bank recognizes the significant value of the Vancouver-based company's assets.

**What Could Colonial Coal Be Worth in a Takeover?** If Colonial were ultimately to reach an agreement to sell itself, the key question of course is, at what price? Since Colonial Coal has no debt and maintains only a small cash balance, its enterprise value is approximately its adjusted stock market capitalization of C\$486 million (C\$2.43 share price *times* 199.95 million fully diluted shares outstanding as of November 6, 2025). This implies that Colonial Coal trades at around C\$0.70 per tonne (C\$486 million *divided* by 695 million) of met coal resources.

To assess this per-tonne valuation, we compare it with the two most recent large Western Canada met coal property transactions (excluding of course transactions involving operating coal mines).

- **Hancock Takeover Bid for Riversdale Resources:** In February 2019, the Hancock Corporation, a private Australian-based coal company, launched a A\$591 million bid for 80.2% of Riversdale Resources, another private Australian company. (Prior to the bid, Hancock owned the other 19.8% of Riversdale.) Riversdale's key asset was the Grassy Mountain coking coal project in southern Alberta, Canada. Grassy Mountain has estimated resources of about 195 million tonnes of high-quality hard coking coal. Riversdale plans to build an open pit mine at the site and produce around 4.5 million tonnes of coking coal per year.

By May 2019, Hancock achieved an 85% ownership interest in Riversdale Resources. This required Hancock to increase its offer to all Riversdale Resources shareholders to A\$2.70, up from the original A\$2.20 per share bid, equivalent to about US\$2.68 per tonne of Grassy Mountain's coking coal resources.

- **Bathurst Investment in Jameson Resources:** In June 2018, Bathurst Resources Limited agreed to invest C\$121.5 million in stages in Jameson's Crown Mountain open pit, hard coking



coal project in British Columbia. The purchase price equates to about US\$1.86 per tonne of Crown Mountain's coking coal resources.

Table 2 outlines key details of the Grassy Mountain and Crown Mountain resources side-by-side with Colonial Coal's Huguenot and Flatbed properties. Note that Colonial Coal's Huguenot and Flatbed Projects each have projected mine lives of around 30 years, significantly longer than Grassy Mountain's and Crown Mountain's expected lives of 24 years and 16 years, respectively.

Furthermore, the Grassy Mountain and Crown Mountain deals closed at times when the prevailing spot met coal prices were markedly lower than the current prices of around US\$250 per tonne. Also, Colonial Coal's Huguenot and Flatbed properties carry only a 1.5% net smelter return (NSR) royalty, a lower royalty than many resource properties carry across the globe. This relatively low percentage could factor into higher potential bids presented by global steel and coal companies.

**Table 2: Comparison of Huguenot and Flatbed Coal Property Characteristics to the Most Recent Coal Transactions**

	<b>Grassy Mountain Coking Coal Project</b>	<b>Crown Mountain Hard Coking Coal Project</b>	<b>Colonial Coal Huguenot Property</b>	<b>Colonial Coal Flatbed Property</b>
Location	Southern Alberta, Canada	British Columbia	British Columbia	British Columbia
Bidding Time Frame	February 2019 through May 2019	June 2018	Now	Now
Total Resource, in millions of tonnes	195		397	298
Coal Type	Hard Coking Coal	Hard Coking Coal	Hard Coking Coal	Hard Coking Coal/ PCI
Mining Type	Open Pit		Open Pit/ Underground	Underground
Mine Life, in Years	24	16	31	30
Winning Bidder	Hancock Corp., (A)	Bathurst Resources, (B)		
Accepted Takeover Price Per Tonne of Resource, in US\$ per tonne	\$2.68	\$1.86		
Approximate Met Coal Price at Time of Transaction, in US\$ per tonne	about \$200	about \$150	about \$250 (D)	about \$250 (D)

**Footnotes:**

(A) By May 2019, Hancock acquired an 85% ownership in Riversdale Resources. Riversdale's only significant asset was the Grassy Mountain property.

(B) Bathurst acquired a 50% interest in Crown Mountain.

(D) Current market prices.

**Source:** Colonial Coal International Corp. July 2025 Investor Presentation.

If Colonial Coal were able to sell its coal assets, which compare favorably to Riversdale Resources and Jameson's in terms of quality and mine life, at around US\$2 per tonne, or approximately the same price as implied in those transactions, Colonial Coal would receive proceeds of approximately US\$1.4 billion (US\$2 *times* 695 million tonnes of aggregate resources). This acquisition sum, while quite large for a typical buyer, may not be considered a giant capital expenditure for, say, a large Asian or Indian steel or coal company. Of course, an acquiror of Colonial Coal would also have to build operating coal mines on Colonial Coal's Huguenot and Flatbed properties; these required mining capital expenditures could total around C\$550 million for each property.

(Chinese mining investors have already invested a significant sum in the Murray River Coal Project, a met coal property which abuts Colonial Coal's Flatbed property. See Figure 1.)

Since Colonial Coal has approximately 200 million fully diluted shares outstanding, the pretax proceeds from a sale at US\$2/tonne of resources would bring in proceeds of around US\$7.00 per Colonial Coal share. Clearly, there would be tax consequences from such a transaction, but a reasonable estimate of after-tax proceeds in this scenario could be US\$4.50, or C\$6.25, per share. Each US\$0.25 deviation in Colonial's average realized price per tonne of resources from this US\$2 baseline assumption would affect after-tax proceeds per fully diluted share by about C\$0.75.

**Prime Minister Mark Carney Has Re-Established Constructive Relationships with India and China:** From an investor's perspective, probably the most constructive development for Colonial Coal over the last 15 months was former central banker Mark Carney's replacing Justin Trudeau as Canada's prime minister in mid-March 2025. Canada's relations with both India and China, the biggest importers of met coal and the home countries to state-owned and private steelmakers and coal companies which have been rumored to be potential acquirors of Colonial Coal, deteriorated throughout Mr. Trudeau's nearly ten-year tenure as Canada's prime minister. Theoretically, an Indian or Chinese entity could purchase a company with operations in another nation (such as Canada) that has strained relations with its government, but such an acquisition would require government clearances, and such approvals would likely be difficult to gain during times of country-to-country strife.

We note the following major incidents/actions that stressed Canada's relations with these two key economic partners:

- In 2023, Mr. Trudeau publicly accused the Indian government of involvement in the 2023 killing of a Canadian Sikh in British Columbia who was a vocal advocate of the establishment of an independent Sikh state in India. India vehemently denied Mr. Trudeau's accusations and voiced frustration over its views that Canada was harboring supporters of the Khalistan movement, a group for which a standalone Sikh state in India is a principal goal. The net result of all this was government-mandated mass expulsions of top envoys and diplomats from both countries and a 2023 pause in the negotiations of bilateral free trade agreements between Canada and India.
- In late 2018, Canada arrested the CFO of Huawei, a Shenzhen, China-based technology corporation, at the request of the U.S. In turn, China detained two Canadians on espionage charges and imposed a three-year ban on Canadian canola exports.

- In a move with little international precedent, China’s President Xi publicly reprimanded Mr. Trudeau at the November 2022 G20 summit in Bali for leaking details of their conversations.
- The Canada-China relationship further worsened in 2023 when Canada began a formal public inquiry into whether China had interfered in its 2019 and 2021 federal elections. (In January 2025, a commission formed by Mr. Trudeau issued a report concluding that China had meddled in the elections.)

PM Carney seems to have dramatically improved the tenor of Canada’s relationships with India and China in very short order. We note the following:

- In late February and early March 2026, PM Carney officially visited India and met with India’s PM Narendra Modi to reset bilateral ties. At that meeting, India agreed to a C\$2.6 billion agreement whereby it will buy 22 million pounds of uranium for nuclear power generation from Saskatoon, Canada-based Cameco over the period 2027 to 2035.
- Canada and India’s leaders vowed to double bilateral trade to C\$70 billion by 2030. More formally, the two leaders pledged to complete the Canada-India Comprehensive Economic Partnership Agreement (CEPA) by the end of 2026. Two rounds of CEPA negotiations have been completed, including one in Ottawa in late May where India brought its largest-ever trade delegation to Canada, and the countries expect to finalize the pact by December 31, 2026.
- In an announcement more specifically related to Colonial Coal, India’s steel minister H.D. Kumaraswamy said in late January 2026 that NMDC, an Indian state-owned iron ore mining company, was “actively exploring” Canadian coal reserves to boost the country’s steel manufacturing capacity. According to [Reuters](#), his comments came after a bilateral meeting with Canada’s Minister of Natural Resources Tim Hodgson.
- In January 2026, PM Carney met the President of China Xi Jinping in Beijing to forge a new strategic partnership with the world’s second largest economy. The meeting marked the first visit to China by a Canadian prime minister since 2017. At their meeting, President Xi reduced tariffs on Canadian canola imports, and Canada allowed 49,000 Chinese-made electric vehicles to enter the Canadian market at a much reduced tariff rate.
- In May 2026, Foreign Minister Wang Yi became the first Chinese official in that position to visit Canada in a decade. During his three-day trip to Canada, Mr. Wang expressed confidence that China’s exports to Canada could double by 2030.

## What is Met Coal and How is It Used to Make Steel?

Steel is primarily produced using one of two methods: 1) Basic Oxygen Furnace (BOF), which turns coking coal (see next page) and raw mined iron ore into steel; and 2) Electric Arc Furnace (EAF). The EAF process requires no iron ore or coking coal; steel is made by using an electric current to melt scrap steel, direct reduced iron, and/or pig iron to produce molten steel. On a worldwide basis, about 70% of steel is manufactured by the BOF process, and electric air furnaces produce the balance, or 30%, according to the World Steel Association.

Coking coal is a special type of coal that softens, melts, and fuses together when heated in the absence of oxygen. In the process, impurities like water, gases, and tar are baked out, leaving behind a hard, porous, concentrated carbon residue which is known as coke. In turn, the coke, when combined with blast air, generates the intense heat required to melt iron ore. Coke also plays a role in the chemical reaction where iron ore is converted to liquid metallic iron. The metallic iron is then refined into steel.

About two-thirds of all met coal produced is classified as coking coal; the other one-third is pulverized coal injection (PCI), or semi-soft coal. (Most of Colonial Coal’s resources are considered premium hard coking coal.). See Figure 3.

**Figure 3: The Spectrum and Blurred Boundaries of Met Coal**

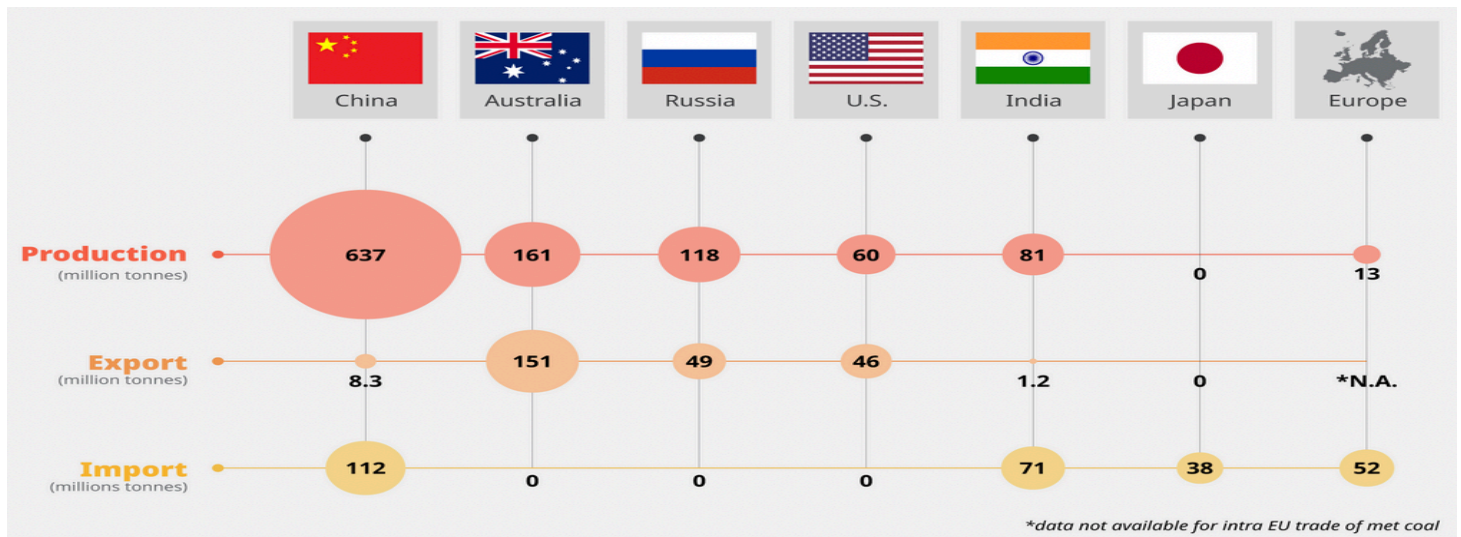


**Source:** “SteelWatch Explainer: Met coal, what it is and why it is a climate risk,” SteelWatch.org, April 23, 2025.

Per the International Energy Agency, just over 1.1 billion tonnes of met coal were produced globally in 2023. Three countries -- China, Australia, and Russia -- accounted for about 83% of this production. Australia, Russia, and the U.S. are the chief exporters of met coal; and China and India are by far the biggest importers of this steelmaking raw material. See Figure 4.

As an aside, India’s increasing demand for met coal is underscored by the May 2026 request by the Ministry of Steel that the finance ministry withdraw anti-dumping tariffs on low ash met coke imports. The Ministry of Steel cited low domestic supplies and high prices for its appeal.

**Figure 4: Global Met Coal Production and Trade, by Country**



**Source:** “SteelWatch Explainer: Met coal, what it is and why it is a climate risk,” SteelWatch.org, April 23, 2025.

**Met Coal Pricing History and Trends:** SGX Australia Coking Coal futures prices (which are contracts based on the Australian coking coal benchmark) are trading at US\$249.00 per tonne, which is its highest level over the last twelve months. See Figure 5.

**Figure 5: Coking Coal Prices Over The Last 12-Months, in US Dollars Per Tonne**



**Source:** TradingEconomic.com.

A combination of met coal mine accidents (including the tragic May 2026 explosion that killed 82 people at a mine in China's Shanxi province) and logistical issues in major exporting nations have contributed to the increase in coking coal prices over the last year. More specifically, Australia has faced a series of production interruptions, extreme weather events, and port congestion.

**Investment Summary:** Colonial Coal owns and is actively marketing high-quality met coal resources which promise to be extremely valuable to a foreign coal mining or steelmaking company. In addition, Colonial Coal's management team, particularly its CEO David Austin, has previously sold coal properties at substantial premiums and holds a significant ownership stake in the company. Nevertheless, Colonial's stock price trades at a significant discount to recent comparable met coal resource transactions.

The most probable reason for this disconnect: Colonial Coal's inability to reach a deal to sell its assets over the last few years. We believe this inability is due primarily to the previous Canadian prime minister's deteriorating relationships with the governments of India and China, not the quality of and the international demand for Colonial's resources. Given the notable improvement in these relationships under PM Carney's leadership, it is certainly possible that companies or consortiums based in Asia or India bid for Colonial's assets.

If Colonial Coal were to be able to reach a deal to sell its met coal properties at a price of US\$2 per tonne of resources, its share price could potentially reach around C\$6.25 per share, which would equate to more than a 150% increase from its current share price. Each US\$0.25 change in this US\$2 price per tonne assumption for Colonial's met coal resources would correspond to a C\$0.75 per share movement in Colonial's potential baseline C\$6.25 deal-related share price.

(Of course, it is possible that Colonial Coal may continue to be unable to reach a takeover deal at a price management deems acceptable. If so, its share price would likely perform less favorably than under the scenario outlined just above.)

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*06/09/2026.*

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