

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2021 and 2020**

(Unaudited - expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

	Note	October 31, 2021 \$	July 31, 2021 \$
Assets			
Current assets			
Cash and cash equivalents		4,160,073	4,594,197
Short term investments		88,064	88,064
Receivables and prepaids	3	64,876	81,705
		4,313,013	4,763,966
Coal properties and deferred expenditures			
Reclamation deposits	4	13,958,455	13,881,280
Equipment and right-of-use asset	4	203,200	203,200
Deferred acquisition costs		67,043	85,187
		1	1
		14,228,699	14,169,668
		18,541,712	18,933,634
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		67,256	75,348
Due to related parties	7	31,451	30,836
Lease obligations – current portion	5	68,924	80,782
		167,631	186,966
Lease obligations – non-current portion	5	-	7,199
		167,631	194,165
Equity Attributable to Shareholders			
Share capital	6	41,068,019	41,068,019
Contributed surplus		8,916,034	8,916,034
Deficit		(31,609,972)	(31,244,584)
		18,374,081	18,739,469
		18,541,712	18,933,634

Commitments (Notes 4, 5 and 8)

Subsequent events (Note 11)

Approved by the Board of Directors

(signed) “Ian Downie”

(signed) “David Austin”

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	Note	2021	2020
		\$	\$
Expenses			
Amortization		19,223	12,542
Consulting	7	40,406	23,550
Director's fees	7	6,000	6,000
Filing and listing fees		8,118	4,719
Management fees	7	148,001	148,001
Office and administration		40,124	37,682
Professional fees	7	42,149	36,622
Shareholder communications		39,707	38,172
Share-based payments	6(b)	-	130,052
Travel and promotion		23,683	18,394
		(367,411)	(455,734)
Other income (expense)			
Interest income		4,440	21,241
Lease finance charge		(2,417)	(1,392)
		2,023	19,849
Net loss and comprehensive loss for the period		(365,388)	(435,885)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of shares outstanding			
- Basic and diluted		174,368,051	174,268,051

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital		Contributed	Deficit	Total
	Number of	Amount	Surplus		
	Shares	\$	\$	\$	\$
	#				
Balance, July 31, 2020	174,268,051	41,011,915	8,811,086	(29,675,530)	20,147,471
Share-based payments	-	-	130,052	-	130,052
Comprehensive loss for the period	-	-	-	(435,885)	(435,885)
Balance, October 31, 2020	174,268,051	41,011,915	8,941,138	(30,111,415)	19,841,638
Shares issued pursuant to exercise of options	100,000	31,000	-	-	31,000
Transfer value on exercise of options	-	25,104	(25,104)	-	-
Comprehensive loss for the period	-	-	-	(1,133,169)	(1,133,169)
Balance, July 31, 2021	174,368,051	41,068,019	8,916,034	(31,244,584)	18,739,469
Comprehensive loss for the period	-	-	-	(365,388)	(365,388)
Balance, October 31, 2021	174,368,051	41,068,019	8,916,034	(31,609,972)	18,374,081

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Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	2021	2020
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(365,388)	(435,885)
Items not affecting cash		
Amortization	19,223	12,542
Share-based payments	-	130,052
Interest income	(4,440)	(21,241)
Lease finance charge	2,417	1,392
	(348,188)	(313,140)
Interest received	3,239	26,726
Net change in non-cash working capital items:		
Receivables and prepaids	18,030	(19,242)
Accounts payable and accrued liabilities	1,109	(12,117)
Due to related parties	615	620
	(325,195)	(317,153)
Investing activities		
Deferred costs	(86,376)	(103,706)
Purchase of Equipment	(1,079)	-
B.C Mining Exploration Tax Credits	-	375,705
	(87,455)	271,999
Financing activities		
Lease payments	(21,474)	(13,646)
	(21,474)	(13,646)
Decrease in cash and cash equivalents	(434,124)	(58,800)
Cash and cash equivalents, beginning of the period	4,594,197	6,033,490
Cash and cash equivalents, end of the period	4,160,073	5,974,690

Supplemental cash flow information (Note 9)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

1 Organization and nature of operations

Colonial Coal International Corp. (the “Company”) was incorporated pursuant to the Business Corporations Act of Alberta on August 1, 2007. The Company’s corporate head office is located at Suite 200 – 595 Howe Street, Vancouver, British Columbia, Canada. The Company is listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “CAD”.

The Company’s principal activities include the acquisition, exploration and development of coal properties located in Canada. The Company is also pursuing the acquisition of Watson Island, located just outside of Prince Rupert, British Columbia, for the purpose of developing a seaport terminal and supporting industrial park.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2021, which have been prepared in accordance with IFRS.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2021.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended July 31, 2021.

These financial statements were approved by the board of directors for use on December 16, 2021.

3 Receivables and prepaids

	October 31, 2021	July 31, 2021
	\$	\$
GST recoverable	24,104	23,355
Prepaid expenses and other	40,772	58,350
	<u>64,876</u>	<u>81,705</u>

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

4 Coal properties and deferred expenditures (Schedule 1)

	October 31, 2021	July 31, 2021
	\$	\$
Huguenot property, B.C.	11,581,432	11,515,316
Flatbed property, B.C.	2,377,023	2,365,964
	<u>13,958,455</u>	<u>13,881,280</u>

The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 hectares and commonly referred to as the Huguenot property located in the Liard Mining Division, northeastern British Columbia. The Huguenot property is subject to a 1.5% production royalty, including 1.2% which is payable to certain directors of the Company.

The Company owns a 100% interest in eight coal licenses covering 9,607 hectares and commonly referred to as the Flatbed property located in the Liard Mining Division, northeastern British Columbia. The Flatbed property is subject to a 1.5% production royalty, 1.35% of which is payable to certain directors of the Company.

As at October 31, 2021, the Company had \$203,200 (July 31, 2021 - \$203,200) of reclamation bonds held by the British Columbia Ministry of Energy, Mines and Low Carbon Innovation.

5 Lease obligations

The Company recognized lease obligations with respect to the lease for right-of-use assets. The lease is for office space leased by the Company. The Company is required to make monthly payments of approximately \$7,200, with the term of the lease expiring August 31, 2022. The outstanding balances as at October 31, 2021, calculated using the implied rate of 11.8%, are as follows:

	October 31, 2021	July 31, 2021
	\$	\$
Office lease liability	68,924	87,981
Less: current portion	(68,924)	(80,782)
Non-current portion	<u>-</u>	<u>7,199</u>

The following is a schedule of the Company's future minimum lease payments related to the lease obligations:

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	October 31, 2021
	\$
	2022
Total minimum lease payments	72,714
Less: imputed interest	72,714
Total present value of minimum lease payments	(3,790)
Less: current portion	68,924
Non-current portion	(68,924)
	-

6 Share Capital**a) Authorized**

An unlimited number of common shares without par value.

An unlimited number of preferred shares issuable in series without par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

b) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board.

The Company's stock options outstanding as at October 31, 2021 and July 31, 2021 and the changes for the periods then ended are as follows:

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	Number of options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance, July 31, 2020	12,845,000	0.46	5.62
Granted	250,000	0.68	
Exercised	(100,000)	0.31	
Expired	(3,995,000)	0.77	
Forfeited	(300,000)	0.31	
Balance, July 31, 2021	8,700,000	0.33	7.13
Balance outstanding and exercisable, October 31, 2021	8,700,000	0.33	6.90

Options to acquire common shares outstanding at October 31, 2021 are as follows:

Expiry Date	Exercise price \$	Remaining Life (years)	Options Outstanding	Unvested	Vested
April 5, 2028 ⁽¹⁾	0.31	6.43	6,350,000	-	6,350,000
November 29, 2029	0.35	8.06	2,100,000	-	2,100,000
September 15, 2030	0.68	8.88	250,000	-	250,000
			8,700,000	-	8,700,000

⁽¹⁾ Subsequent to October 31, 2021, 460,000 of these stock options were exercised for gross proceeds of \$142,600.

During the three months months ended October 31, 2021, the Company recorded share-based payments expense of \$nil (2020 - \$130,052). The weighted average fair value of stock options granted during the three months ended October 31, 2020 of \$0.52 per option was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2020
Average stock price (\$)	0.67
Average exercise price (\$)	0.68
Average risk-free interest rate (%)	0.58
Expected life (years)	5.0
Expected volatility (%)	108
Expected dividends (\$)	Nil

The expected volatility was calculated using the historical stock price of the Company.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

7 Related party transactions

Related party transactions not disclosed elsewhere in the condensed interim consolidated financial statements are as follows:

- During the three months ended October 31, 2021, Company incurred \$18,000 (2020 - \$18,000) in consulting fees paid to Shane Austin, the son of David Austin, President and CEO of the Company. The fees paid were for corporate development of the Company.

Related party transactions are comprised of services rendered by directors and/or officers of the Company and companies controlled by them or persons associated with them. Related party transactions are in the ordinary course of business.

Compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and directors for services provided during the three months ended October 31, 2021 and 2020 was as follows:

	2021	2020
	\$	\$
Director's fees	6,000	6,000
Management fees	148,001	148,001
Professional fees	11,250	11,250
	<u>165,251</u>	<u>165,251</u>

Amounts due to related parties at October 31, 2021, amounting to \$31,451 (July 31, 2021 - \$30,836) are non-interest bearing and have no specific terms of repayment.

8 Commitments

- a) The Company is committed under the terms of royalty agreements in respect of its interests in coal properties (Note 4).

9 Non-cash transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the three months ended October 31, 2021, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- Deferred expenditures of \$15,802 included in accounts payable and accrued liabilities at October 31, 2021, less expenditures included in accounts payable and accrued liabilities at July 31, 2021 of \$25,003 (net inclusion of \$9,201).

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

During the three months ended October 31, 2020, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- Deferred expenditures of \$19,477 included in accounts payable and accrued liabilities at October 31, 2020, less expenditures included in accounts payable and accrue liabilities at July 31, 2020 of \$21,607 (net exclusion of \$2,130); and,
- Deferred expenditures of \$nil included in receivables and prepaids at October 31, 2020, less \$375,705 at July 31, 2020 related to B.C Mining Exploration Tax Credits (net inclusion of \$375,705).

10 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at October 31, 2021, all the operations and assets were in Canada.

11 Subsequent events

Subsequent to October 31, 2021, 460,000 stock options were exercised for gross proceeds of \$142,600.

Colonial Coal International Corp.**Schedule 1**

Condensed Interim Consolidated Schedule of Deferred Exploration and Evaluation Costs

For the three months ended October 31, 2021 and the year ended July 31, 2021

(Unaudited - expressed in Canadian Dollars)

	Huguenot	Flatbed	Total
	\$	\$	\$
Balance, July 31, 2020	11,207,194	2,280,886	13,488,080
Field programs	133,735	3,852	137,587
Consultants and contractors	81,559	12,810	94,369
Licenses and fees	107,275	94,480	201,755
Public relations / First Nations	8,777	8,777	17,554
Project administration	7,662	2,613	10,275
B.C. Mining Exploration Tax Credits	(30,886)	(37,454)	(68,340)
	308,122	85,078	393,200
Balance, July 31, 2021	11,515,316	2,365,964	13,881,280
Field programs	6,491	963	7,454
Consultants and contractors	21,910	3,020	24,930
Licenses and fees	27,135	5,300	32,435
Project administration	10,580	1,776	12,356
	66,116	11,059	77,175
Balance, October 31, 2021	11,581,432	2,377,023	13,958,455