

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2022**

(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, 2022 \$	July 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		2,396,732	2,882,134
Short term investments		88,064	88,064
Receivables and prepaids	3	99,070	112,410
Due from related parties	7	9,089	12,089
		2,592,955	3,094,697
Coal properties and deferred expenditures	4	14,410,987	14,341,862
Reclamation deposits	4	203,200	203,200
Equipment and right-of-use asset		155,087	18,728
Deferred acquisition costs		1	1
		14,769,275	14,563,791
		17,362,230	17,658,488
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		60,738	83,615
Due to related parties	7	23,733	3,000
Lease obligations – current portion	5	90,715	7,621
		175,186	94,236
Lease obligations – non-current portion	5	52,786	-
		227,972	94,236
Equity Attributable to Shareholders			
Share capital	6	41,996,440	41,996,440
Contributed surplus		16,978,824	16,419,472
Deficit		(41,841,006)	(40,851,660)
		17,134,258	17,564,252
		17,362,230	17,658,488

Basis of presentation (Note 2)

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

(Unaudited - expressed in Canadian Dollars)

	Note	Three months ended October 31, 2022 \$	Three months ended October 31, 2021 \$
Expenses			
Amortization		20,318	19,223
Consulting	7	58,200	40,406
Director's fees	7	6,000	6,000
Filing and listing fees		14,832	8,118
Management fees	7	148,001	148,001
Office and administration		93,415	40,124
Professional fees	7	51,040	42,149
Shareholder communications		35,807	39,707
Share-based payments	6(b)	559,352	-
Travel and promotion		16,219	23,683
		(1,003,184)	(367,411)
Other income (expense)			
Interest income		15,719	4,440
Lease finance charge		(1,881)	(2,417)
		13,838	2,023
Net loss and comprehensive loss for the period		(989,346)	(365,388)
Basic and diluted loss per common share		(0.01)	(0.00)
Weighted average number of shares outstanding			
- Basic and diluted		175,738,051	174,368,051

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

(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital		Contributed	Deficit	Total
	Number of	Amount	Surplus		
	Shares	\$	\$	\$	\$
	#				
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	174,268,051	41,011,915	8,941,138	(31,609,972)	18,374,081
Shares issued pursuant to exercise of options	1,370,000	517,200	-	-	517,200
Transfer value on exercise of options	-	411,221	(411,221)	-	-
Share-based payments	-	-	7,914,659	-	7,914,659
Comprehensive loss for the period	-	-	-	(9,241,688)	(9,241,688)
Balance, July 31, 2022	175,738,051	41,996,440	16,419,472	(40,851,660)	17,564,252
Share-based payments	-	-	559,352	-	559,352
Comprehensive loss for the period	-	-	-	(989,346)	(989,346)
Balance, October 31, 2022	175,738,051	41,996,440	16,978,824	(40,841,006)	17,134,258

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

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

	Three months ended October 31, 2022	Three months ended October 31, 2021
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(989,346)	(365,388)
Items not affecting cash		
Amortization	20,318	19,223
Share-based payments	559,352	-
Interest income	(15,719)	(4,440)
Lease finance charge	1,881	2,417
	(423,514)	(348,188)
Interest received	15,719	3,239
Net change in non-cash working capital items:		
Receivables and prepaids	13,340	18,030
Accounts payable and accrued liabilities	(43,386)	1,109
Due to/from related parties	23,733	615
	(414,108)	(325,195)
Investing activities		
Deferred costs	(48,616)	(86,376)
Purchase of Equipment	-	(1,079)
	(48,616)	(87,455)
Financing activities		
Lease payments	(22,678)	(21,474)
	(22,678)	(21,474)
Decrease in cash and cash equivalents	(485,402)	(434,124)
Cash and cash equivalents, beginning of the period	2,882,134	4,594,197
Cash and cash equivalents, end of the period	2,396,732	4,160,073

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 Statements

For the three months ended October 31, 2022

(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, 2022, 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, 2022.

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, 2022.

These financial statements were approved by the board of directors for use on November 25, 2022.

3 Receivables and prepaids

	October 31, 2022	July 31, 2022
	\$	\$
GST recoverable	42,325	35,146
Prepaid expenses and other	56,745	77,264
	99,070	112,410

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Unaudited – expressed in Canadian Dollars)

4 Coal properties and deferred expenditures

	Huguenot \$	Flatbed \$	Total \$
Balance, July 31, 2021	11,479,426	2,401,854	13,881,280
Field programs	42,014	3,948	45,962
Consultants and contractors	101,529	15,359	116,888
Licenses and fees	129,145	112,610	241,755
Project administration	43,633	12,344	55,977
	316,321	144,261	460,582
Balance, July 31, 2022	11,795,747	2,546,115	14,341,862
Field programs	-	963	963
Consultants and contractors	13,089	2,583	15,572
Licenses and fees	36,180	5,300	41,480
Project administration	7,122	3,888	11,010
	56,391	12,734	69,125
Balance, October 31, 2022	11,852,138	2,558,849	14,410,987

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 of October 31, 2022, the Company had \$203,200 (July 31, 2022 - \$203,200) of reclamation bonds held by the British Columbia Ministry of Energy, Mines and Low Carbon Innovation.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Unaudited – expressed in Canadian Dollars)

5 Lease obligations

The Company had an office lease agreement for a 24- month lease period from September 1, 2020 to August 31, 2022. On August 2, 2022, the Company renewed the office lease agreement for another 24-month lease period starting September 1, 2022. In accordance with IFRS 16 *Leases*, the Company recorded right-of-use assets of \$156,677 and recognized lease liabilities of \$156,677 on commencement of the lease. As at September 1, 2022, the Company measured the present value of its lease liabilities using a discount rate of 15.85% as determined from its incremental borrowing rate.

a) *Right-of-use assets*

A reconciliation of the Company's right-of-use assets for the three months ended October 31, 2022 and for the year ended July 31, 2022 is as follows:

	Total
Balance, July 31, 2021	\$ 82,317
Amortization of ROU	(75,985)
Balance, July 31, 2022	6,332
Amortization of ROU	(6,332)
Initial recognition of new lease	156,677
Amortization of ROU	(13,056)
Balance, October 31, 2022	\$ 143,621

b) *Lease liabilities*

A reconciliation of the Company's lease liabilities for the three months ended October 31, 2022 and for the year ended July 31, 2022 is as follows:

	Total
Balance, July 31, 2021	\$ 87,981
Accretion of interest	6,826
Lease payments	(87,186)
Balance, July 31, 2022	7,621
Addition of new lease	156,677
Accretion of interest	1,881
Lease payments	(22,678)
Balance, October 31, 2022	\$ 143,501

	October 31, 2022	July 31, 2022
Short-term portion of lease liability	\$ 90,715	\$ 7,621
Long-term portion of lease liability	\$ 52,786	\$ -

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Unaudited – expressed in Canadian Dollars)

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) Share issuance

There was no share issuance during the three months ended October 31, 2022.

During the year ended July 31, 2022, the Company issued 1,370,000 shares for total proceeds of \$517,200 pursuant to exercise of 1,370,000 stock options. The Company transferred \$411,221, the grant date fair value of the stock options exercised, from contributed surplus to share capital.

c) 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 of October 31 and July 31, 2022 and the changes for the years then ended are as follows:

	Number of options	Weighted Average Exercise Price \$
Balance, July 31, 2021	9,000,000	0.33
Granted	4,670,000	2.29
Expired	(300,000)	0.31
Exercised	(1,370,000)	0.38
Balance, July 31, 2022	12,000,000	1.09
Granted	500,000	1.50
Balance outstanding and exercisable, October 31, 2022	12,500,000	1.10

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(Unaudited – expressed in Canadian Dollars)

Options to acquire common shares outstanding on October 31, 2022 are as follows:

<u>Expiry Date</u>	<u>Exercise price</u> <u>\$</u>	<u>Options Outstanding</u>
April 5, 2028	0.31	5,230,000
November 29, 2029	0.35	2,100,000
February 7, 2032	2.29	4,670,000
September 26, 2032	1.50	500,000
		<u>12,500,000</u>

On September 26, 2022, the Company granted to two consultants 500,000 stock options, exercisable at \$1.50 per share for a term of 10 years. These options vested on the date of grant. The fair value of the stock options granted was \$559,352 (\$1.12 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On February 7, 2022, the Company granted to directors, officers, employees and consultants 4,670,000 stock options, exercisable at \$2.29 per share for a term of 10 years. These options vested on the date of grant. The fair value of the stock options granted was \$7,914,659 (\$1.70 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

The fair value of the stock options granted was determined using the Black-Scholes option price modelling with the following assumptions:

	Three months ended October 31, 2022	Year ended July 31, 2022
Average stock price (\$)	1.50	2.29
Average exercise price (\$)	1.50	2.29
Average risk-free interest rate (%)	3.24	1.68
Expected life (years)	5.0	5.0
Expected volatility (%)	97	98
Expected dividends (\$)	Nil	Nil

7 Related party transactions

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured.

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(Unaudited – expressed in Canadian Dollars)

As at October 31, 2022, \$23,733 (July 31, 2022 - \$3,000) was due to, and \$9,089 (July 31, 2021 - \$12,089) was due from related parties of the Company:

	October 31, 2022	July 31, 2022
Due to related parties		
COO	\$ 20,733	\$ -
Director	3,000	3,000
	\$ 23,733	\$ 3,000
Due from related parties		
CEO	3,194	3,194
Consultant, son of CEO	5,895	8,895
	\$ 9,089	\$ 12,089

During the three months ended October 31, 2022 and 2021, the Company entered into the following transactions with related parties:

	Three months ended October 31, 2022	Three months ended October 31, 2021
Management fee – CEO	\$ 65,000	\$ 65,000
Management fee – COO	57,501	57,501
Management fee – Directors	25,500	25,500
Consulting fee – Son of CEO	18,000	18,000
Professional fee – former CFO	-	11,250
Professional fee – CFO	24,000	-
Directors' fees	6,000	6,000
	\$ 196,001	\$ 183,251

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, 2022, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- Deferred expenditures of \$4,494 included in accounts payable and accrued liabilities on October 31, 2022, less expenditures included in accounts payable and accrued liabilities on July 31, 2022 of \$18,521 (net inclusion of \$14,027).
- Right-of-use assets of \$156,677 included in lease liability at initial recognition.

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Unaudited – expressed in Canadian Dollars)

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).

10 Segment information

The Company operates in one segment – the acquisition, exploration, and development of coal properties. As of October 31, 2022, all the operations and assets were in Canada.