

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2023**

(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, 2023 \$	July 31, 2023 \$
Assets			
Current assets			
Cash and cash equivalents		3,380,065	3,662,609
Short term investments		88,266	88,266
Receivables and prepaids	3	103,886	87,613
Due from related parties	7	6,272	8,272
		3,578,489	3,846,760
Coal properties and deferred expenditures	4	14,669,086	14,586,962
Reclamation deposits	4	203,200	203,200
Equipment and right-of-use asset		43,331	54,572
Deferred acquisition costs		1	1
		14,915,618	14,844,735
		18,494,107	18,691,495
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		75,826	74,110
Due to related parties	7	23,665	23,803
Lease obligations – current portion	5	38,052	44,481
		137,543	142,394
Lease obligations – non-current portion	5	-	4,034
		137,543	146,428
Equity Attributable to Shareholders			
Share capital	6	47,522,952	47,006,588
Contributed surplus		18,741,071	17,139,900
Deficit		(47,907,459)	(45,601,421)
		18,356,564	18,545,067
		18,494,107	18,691,495

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, 2023 \$	Three months ended October 31, 2022 \$
Expenses			
Amortization		11,241	20,318
Consulting	7	32,640	58,200
Director's fees	7	6,000	6,000
Filing and listing fees		55,235	14,832
Management fees	7	148,001	148,001
Office and administration		108,394	93,415
Professional fees	7	78,810	51,040
Shareholder communications		58,864	35,807
Share-based payments	6(c)	1,819,478	559,352
Travel and promotion		32,607	16,219
		(2,351,270)	(1,003,184)
Other income (expense)			
Interest income		47,034	15,719
Lease finance charge		(1,802)	(1,881)
		45,232	13,838
Net loss and comprehensive loss for the period		(2,306,038)	(989,346)
Basic and diluted loss per common share		(0.01)	(0.01)
Weighted average number of shares outstanding			
- Basic and diluted		178,342,463	175,738,051

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 Surplus \$	Deficit \$	Total \$
	Number of Shares #	Amount \$			
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
Shares issued pursuant to exercise of options	2,471,180	2,883,010	-	-	2,883,010
Transfer value on exercise of options	-	2,127,138	(2,127,138)	-	-
Transfer value of options cancelled	-	-	(3,592,950)	3,592,950	-
Share-based payments	-	-	5,881,164	-	5,881,164
Comprehensive loss for the period	-	-	-	(7,353,365)	(7,353,365)
Balance, July 31, 2023	178,209,231	47,006,588	17,139,900	(45,601,421)	18,545,067
Shares issued pursuant to exercise of options	268,520	298,057	-	-	298,057
Transfer value on exercise of options	-	218,307	(218,307)	-	-
Share-based payments	-	-	1,819,478	-	1,819,478
Comprehensive loss for the period	-	-	-	(2,306,038)	(2,306,038)
Balance, October 31, 2023	178,477,751	47,522,952	18,741,071	(47,907,459)	18,356,564

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, 2023	Three months ended October 31, 2022
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(2,306,038)	(989,346)
Items not affecting cash		
Amortization	11,241	20,318
Share-based payments	1,819,478	559,352
Interest income	(47,034)	(15,719)
Lease finance charge	1,802	1,881
	(520,551)	(423,514)
Interest received	47,034	15,719
Net change in non-cash working capital items:		
Receivables and prepaids	(16,273)	13,340
Accounts payable and accrued liabilities	1,071	(43,386)
Due to/from related parties	1,862	23,733
	(486,857)	(414,108)
Investing activities		
Deferred costs	(81,479)	(48,616)
	(81,479)	(48,616)
Financing activities		
Exercise of stock options	298,057	-
Lease payments	(12,265)	(22,678)
	285,792	(22,678)
Decrease in cash and cash equivalents	(282,544)	(485,402)
Cash and cash equivalents, beginning of the period	3,662,609	2,882,134
Cash and cash equivalents, end of the period	3,380,065	2,396,732

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, 2023

(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 as issued by the International Accounting Standards Board (“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, 2023, 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, 2023.

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, 2023.

These financial statements were approved by the board of directors for use on November 28, 2023.

3 Receivables and prepaids

	October 31, 2023	July 31, 2023
	\$	\$
GST recoverable	25,646	9,601
Prepaid expenses and other	78,240	78,012
	<u>103,886</u>	<u>87,613</u>

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(Unaudited – expressed in Canadian Dollars)

4 Coal properties and deferred expenditures

	Huguenot \$	Flatbed \$	Total \$
Balance, July 31, 2022	11,795,747	2,546,115	14,341,862
Field programs	4,171	8,022	12,193
Consultants and contractors	33,911	13,724	47,635
Licenses and fees	129,695	96,070	225,765
Project administration	41,840	20,180	62,020
B.C. mining exploration tax credits	(68,982)	(33,531)	(102,513)
	140,635	104,465	245,100
Balance, July 31, 2023	11,936,382	2,650,580	14,586,962
Field programs	8,898	963	9,861
Consultants and contractors	12,092	8,397	20,489
Licenses and fees	36,180	5,300	41,480
Project administration	6,736	3,558	10,294
	63,906	18,218	82,124
Balance, October 31, 2023	12,000,288	2,668,798	14,669,086

The Company owns a 100% interest in seventeen coal licenses 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 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, 2023, the Company had \$203,200 (July 31, 2023 - \$203,200) of reclamation bonds held by the British Columbia Ministry of Energy, Mines and Low Carbon Innovation.

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Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(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 \$84,726 and recognized lease liabilities of \$84,726 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, 2023 and for the year ended July 31, 2023 is as follows:

	Total
Balance, July 31, 2022	\$ 6,332
Initial recognition of new lease	84,726
Amortization of ROU	(52,225)
Balance, July 31, 2023	38,833
Amortization of ROU	(10,591)
Balance, October 31, 2023	\$ 28,242

b) *Lease liabilities*

A reconciliation of the Company's lease liabilities for the three months ended October 31, 2023 and for the year ended July 31, 2023 is as follows:

	Total
Balance, July 31, 2022	\$ 7,621
Addition of new lease	84,727
Accretion of interest	8,695
Lease payments	(52,528)
Balance, July 31, 2023	48,515
Accretion of interest	1,802
Lease payments	(12,265)
Balance, October 31, 2023	\$ 38,052

	October 31, 2023	July 31, 2023
Short-term portion of lease liability	\$ 38,052	\$ 44,481
Long-term portion of lease liability	\$ -	\$ 4,034

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(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

During the three months ended October 31, 2023, the Company issued 268,520 shares for total proceeds of \$298,057 pursuant to exercise of 268,520 stock options at \$1.11 per share. The Company transferred \$218,307, the fair value of the stock options exercised, from contributed surplus to share capital.

During the year ended July 31, 2023, the Company issued 2,471,180 shares for total proceeds of \$2,883,010 pursuant to exercise of 2,471,180 stock options. The Company transferred \$2,127,138, the 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, 2023 and the changes for the years-periods then ended are as follows:

	Number of options	Weighted Average Exercise Price \$
Balance, July 31, 2022	12,000,000	1.09
Granted	6,680,000	1.35
Cancelled	(2,120,000)	2.29
Exercised	(2,471,180)	1.17

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Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(Unaudited – expressed in Canadian Dollars)

Balance, July 31, 2023	14,088,820	1.02
Granted	1,700,000	1.58
Exercised	(268,520)	1.11
Balance outstanding, October 31, 2023	15,520,300	1.08
Exercisable, October 31, 2023	15,395,300	1.08

Options to acquire common shares outstanding on October 31, 2023 are as follows:

<u>Expiry Date</u>	<u>Exercise price</u> <u>\$</u>	<u>Options Outstanding</u> <u>31 October 2023</u>
April 5, 2028	0.31	5,230,000
November 29, 2029	0.35	2,100,000
February 7, 2032	2.29	2,550,000
September 26, 2032	1.50	500,000
February 13, 2028	1.18	250,000
February 14, 2033	1.11	1,080,300
March 3, 2033	1.57	500,000
March 22, 2025	2.00	300,000
April 4, 2033	1.67	1,310,000
September 15, 2027	1.58	1,700,000
		<u>15,520,300</u>
Weighted average remaining contractual life of options outstanding at end of year		<u>6.23 years</u>

On September 15, 2023, the Company granted 1,700,000 stock options to consultants and employees. The options are exercisable for a period of four years at a price of \$1.58 per share. The stock options vested at the grant date. The fair value of the stock options granted was \$1,774,427 (\$1.04 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On April 4, 2023, the Company granted 1,560,000 stock options to employees and consultants. The options are exercisable for a period of ten years at a price of \$1.67 per share. The stock options vested at the grant date. The fair value of the stock options granted was \$2,000,960 (\$1.28 per option) and is recorded in the consolidated statements of loss and comprehensive loss. During the year ended July 31, 2023, 250,000 options were exercised. Fair value of the options exercised, \$320,667, was transferred from contributed surplus to share capital.

On March 22, 2023, the Company granted 300,000 stock options to three consultants. The options are exercisable for a period of two years at a price of \$2.00 per share. The stock options vested at the grant date. The fair value of the stock options granted was \$254,724 (\$0.85 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On March 3, 2023, the Company granted 500,000 stock options to two consultants. The options are exercisable for a period of ten years at a price of \$1.57 per share. The stock options are vested at the grant date. The fair value of the stock options granted was \$574,314 (\$1.15 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

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For the three months ended October 31, 2023

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On February 14, 2023, the Company granted 3,570,000 stock options to consultants and employees. The options are exercisable for a period of ten years at a price of \$1.11 per share. The stock options vested at the grant date. The fair value of the stock options granted was \$2,903,526 (\$0.81 per option) and is recorded in the consolidated statements of loss and comprehensive loss. During the three months ended October 31, 2023, 268,520 options (July 31, 2023 - 2,221,180) were exercised. Fair value of the options exercised, \$218,307 (July 31, 2023 - \$1,806,471), was transferred from contributed surplus to share capital.

On February 13, 2023, the Company granted to Adelaide Capital Markets Inc. (“Adelaide”) an incentive stock options to purchase 250,000 common shares of the Company exercisable for a period of five years at a price of \$1.18 per share. The stock option will vest in stages over a 12-month period with one-quarter vesting in every three month interval. The fair value of the stock options at grant date was \$209,744 (\$0.84 per option), and \$45,051 is amortized in the consolidated statements of loss and comprehensive loss for the three months ended October 31, 2023 (July 31, 2023 - \$147,112).

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, 2023	Year ended July 31, 2023
Average stock price (\$)	1.58	1.35
Average exercise price (\$)	1.58	1.33
Average risk-free interest rate (%)	4.04	3.16
Expected life (years)	4.00	4.87
Expected volatility (%)	89.90	94.16
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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Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(Unaudited – expressed in Canadian Dollars)

As at October 31, 2023, \$23,665 (July 31, 2023 - \$23,803) was due to, and \$6,272 (July 31, 2023 - \$8,272) was due from related parties of the Company:

	October 31, 2023	July 31, 2023
Due to related parties		
COO	\$ 20,665	\$ 20,803
Director	3,000	3,000
	\$ 23,665	\$ 23,803
Due from related parties		
CEO	\$ 3,194	\$ 3,194
Consultant, son of CEO	3,078	5,078
	\$ 6,272	\$ 8,272

During the three months ended October 31, 2023 and 2022, the Company entered into the following transactions with related parties:

	Three months ended October 31, 2023	Three months ended October 31, 2022
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	20,500	18,000
Professional fee – CFO	24,000	24,000
Directors' fees	6,000	6,000
Share-based compensation (Note 6c) - 500,000 (2022 – Nil) options were granted to son of CEO	522,000	-
Share-based compensation (Note 6c) - 400,000 (2022 – Nil) options were granted to son and daughter of COO	417,600	-
	\$ 1,138,101	\$ 196,001

8 Commitments

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, 2023, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Statements

For the three months ended October 31, 2023

(Unaudited – expressed in Canadian Dollars)

- Deferred expenditures of \$Nil included in accounts payable and accrued liabilities on October 31, 2023, less expenditures included in accounts payable and accrued liabilities on July 31, 2023 of \$645 (net inclusion of \$645).

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.

10 Segment information

The Company operates in one segment – the acquisition, exploration, and development of coal properties. As of October 31, 2023, all the operations and assets were in Canada.

11 Events subsequent to the reporting period

On November 10, 2023, the Company granted 150,000 stock options to a consultant. The options are exercisable for a period of ten years at a price of \$1.39 per share. The stock options vested at the grant date. The fair value of the stock options granted was \$146,704 (\$0.98 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On November 22, 2023, the Company issued 8,500 shares pursuant to the exercise of 8,500 stock options at \$1.11 per share for gross proceeds of \$9,435.