



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017



Independent auditor's report

To the Shareholders of EastCoal Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EastCoal Inc. and its subsidiary (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7

T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Eric Talbot.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2019



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(all tabular amounts in thousands of Canadian dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 26	\$ 100
Other receivables	3	1
TOTAL ASSETS	\$ 29	\$ 101
LIABILITIES		
Current		
Trade and other payables	\$ 207	\$ 184
Borrowings (Note 6)	200	200
TOTAL LIABILITIES	\$ 407	\$ 384
EQUITY		
Share capital (Note 7)	\$ 90,134	\$ 90,134
Contributed surplus	9,969	9,969
Deficit	(100,481)	(100,386)
TOTAL EQUITY	\$ (378)	\$ (283)
TOTAL LIABILITIES AND EQUITY	\$ 29	\$ 101

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) John Conlon Director

(signed) Hendrik Dietrichsen Director

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS – For the years ended December 31, 2018 & 2017

(all tabular amounts in thousands of Canadian dollars)

	2018	2017
Expenses		
General and administrative expenses	(54)	(62)
	(54)	(62)
Finance expense (Note 6)	(41)	(37)
Comprehensive loss for the year	\$ (95)	\$ (99)
Net loss per common share - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		
Basic and diluted	11,440,384	8,391,816

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) – For the years ended
 December 31, 2018 & 2017
 (all tabular amounts in thousands of Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Deficit	Total Equity (Deficiency)
Balance – January 1, 2017	7,804,020	\$ 89,934	\$ 9,969	\$ (100,287)	\$ (384)
Net loss for the year	-	-	-	(99)	(99)
Issue of shares (Note 7)	3,636,364	200	-	-	200
Balance – December 31, 2017	11,440,384	\$ 90,134	\$ 9,969	\$ (100,386)	\$ (283)
Balance – January 1, 2018	11,440,384	\$ 90,134	\$ 9,969	\$ (100,386)	\$ (283)
Net loss for the year	-	-	-	(95)	(95)
Balance – December 31, 2018	11,440,384	\$ 90,134	\$ 9,969	\$ (100,481)	\$ (378)

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS – For the years ended December 31, 2018 & 2017
(all tabular amounts in thousands of Canadian dollars)

	2018	2017
OPERATING ACTIVITIES		
Loss for the year	\$ (95)	\$ (99)
Add items not affecting cash		
Finance expense	41	36
	(54)	(63)
Changes in non-cash working capital balances related to operations		
Trade and other receivables	2	-
Trade and other payables	(22)	(40)
Cash used in by operating activities	(20)	(103)
INVESTING ACTIVITIES		
Proceeds from issuance of shares	-	200
Cash provided by (used) in investing activities	-	200
Net decrease in cash and cash equivalents for the year	(74)	97
Cash and cash equivalents, beginning of year	100	3
Cash and cash equivalents, end of year	26	100

The accompanying notes are an integral part of these financial statements.

1 Corporate information and going concern

EastCoal Inc. (the “Company”) was incorporated on December 15, 1986 under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition and development of mineral properties and its registered address is Suite 428, 755 Burrard Street, Vancouver, BC, V6Z 1X6, Canada and its head office is located at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

The Company has experienced recurring operating losses and has accumulated a deficit of \$100,481,260 at December 31, 2018. For the year ended December 31, 2018 the Company derived revenue of \$nil and used cash in operating activities totalling \$73,622. The Company had cash of \$26,341 and a working capital deficit of \$378,512 at December 31, 2018. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company’s continued operation is dependent upon its ability to raise additional funding and/or to agree an extension of the director’s loan account. Although the directors believe that the Company should be able to secure future fundraising as required and/or to agree an extension of the director’s loan, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that cast significant doubt about the Company’s ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities in the normal course of operations, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 Basis of presentation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company has consistently applied the accounting policies in all periods presented.

These financial statements were approved by the board of directors for issue on April 30, 2019.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

3.2 Consolidation

The financial statements of the Company consolidate the accounts of EastCoal Inc. and its 100% wholly owned subsidiary Gramsico Holdings Ltd. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The principal subsidiaries of the Company and their geographic locations at December 31, 2018 were as follows:

	Incorporation	Percentage of ownership
Gramsico Holdings Ltd	Cyprus	100%

3.3 Foreign currency translation

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, EastCoal Inc., and Cypriot subsidiary, Gramsico Holdings Ltd, is the Canadian dollar.

3.4 Financial assets and investments

The Company classifies financial assets and investments in the following categories:

- at fair value through profit and loss (“FVPL”),
- at fair value through other comprehensive income (“FVOCI”), or
- at amortized cost.

The Company determines the classification of financial assets and investments at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVPL

Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVPL are included in the consolidated statement of income (loss) in the period in which they arise.

Financial assets at FVOCI

Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

3.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and which are subject to an insignificant risk of changes in value.

3.6 Capital stock

The Company has one class of shares, common shares, which are classified as equity. These are recorded at the proceeds received less any direct issue costs and related taxes.

Where the Company purchases any of the Company's equity share capital, the consideration paid is deducted from equity attributable to the Company's equity holders until shares are cancelled, reissued or disposed of.

3.7 Income taxes

Current income tax represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

The Company uses the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized when there are differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates in effect in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

Deferred income tax assets and liabilities are presented as non-current on the consolidated statement of financial position.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings. All items recognized directly in shareholders' equity are recognized net of tax. Loss per share

3.8 Loss per share

Loss per share is computed based on the weighted average basic number of shares outstanding for the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares are comprised of stock options granted to employees, directors and consultants, and warrants.

3.9 New standards

IFRS 9, Financial Instruments ("IFRS 9") replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement that relate to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of IFRS 9 on January 1, 2018 resulted in changes in accounting policies. In accordance with the IFRS 9 transitional provisions in IFRS 9, comparative figures have not been restated. The Company's financial assets and liabilities consist of cash, other receivables, trade and other payables and borrowings. There is no assessed impact from change in classification of these financial assets and liabilities.

4 Significant accounting judgments and estimation uncertainties

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

5 Recent Accounting Pronouncements

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements.

i) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a “right of use” asset and liability calculated using a prescribed methodology. The Company is not party to any leasing arrangements and therefore there is no assessed impact on the consolidated financial statements.

6 Borrowings

	December 31, 2018	December 31, 2017
Related party loan	200	200
	\$ 200	\$ 200

On November 28, 2012 three of the Company’s directors agreed to provide bridge financing to the Company for general working capital. The loans amounted to \$600,000 in aggregate (with each director lending \$200,000) with a term of 12 months. The loans bore an interest rate of 12.0% per annum compounded annually payable at the time that the principal becomes due and payable.

In order to secure the performance of the Company’s obligations to the lenders under the loan agreement, the Company executed general security agreements, pursuant to which the Company granted to the lenders security interests in all present and future undertaking and property, both real and personal located in the province of British Columbia, of the Company, as described in the general security agreement.

On June 13, 2014 the Company entered into a supplemental loan agreement with the remaining lender which extended the maturity date of the loan to May 31, 2015. The maturity date was further extended by the remaining lender until May 31, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

Between November 28, 2012 and May 31, 2016 the remaining lender agreed to waive his right to annual compound interest which resulted in interest being calculated on a simple basis. Effective June 1, 2016 interest is now being calculated on a compound basis in accordance with the terms of the original loan agreement, to be compounded annually at December 31 each year.

Accrued interest of \$181,535 relating to the outstanding director's loan is included in trade and other payables at December 31, 2018 (2017: \$140,656).

Share capital

7.1 Authorized capital

The Company has unlimited authorized common shares with no par value. Total common shares issued and outstanding as at December 31, 2018 numbered 11,440,384.

8 Related party transactions

As at December 31, 2018, \$381,535 (2017: \$340,656) was payable to a director of which \$200,000 (2017: \$200,000) is included in borrowings and \$181,535 (2017: \$140,656) in trade and other payables. Interest of \$40,879 (2017: \$36,499) relating to the outstanding balance was accrued during the year ended December 31, 2018 and is included in the total amount payable to the director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

9 Income tax

The tax on the Company's profit before tax differs from the amount that would arise using the combined Canadian federal and provincial income tax rate of 27.00% (2017: 26.00%) to loss before income taxes as follows:

	For the years ended	
	December 31, 2018	December 31, 2017
Loss before tax	(95)	(99)
Statutory rate	27.00%	26.00%
Income tax recovery computed at statutory rates	(26)	(26)
Tax effects of:		
Change in estimates	-	6
Change in statutory tax rate	-	(365)
Movement in deferred tax not recognized	26	385
Tax expense (recovery)	\$ -	\$ -

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
- To be recovered after more than 12 months	9,906	9,880
- To be recovered within 12 months	-	-
Deferred tax assets not recognized	(9,906)	(9,880)
Deferred tax liabilities:		
- To be recovered after more than 12 months	-	-
- To be recovered within 12 months	-	-
Deferred tax liabilities (net)	\$ -	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

	December 31, 2018	December 31, 2017
Deferred tax assets:		
- Non capital losses carried forward	2,740	2,714
- Capital losses carried forward	6,186	6,186
- Mineral properties	980	980
Deferred tax assets not recognized	(9,906)	(9,880)
Deferred tax liabilities (net)	\$ -	\$ -

The movement of the deferred income tax account is as follows:

	December 31, 2018	December 31, 2017
At January 1	-	-
Charge to the income statement	-	-
Business Combination	-	-
Change due to foreign exchange rate fluctuations	-	-
At December 31	\$ -	\$ -

At December 31, 2018, the Company had \$9,906,319 of Canadian federal net operating loss carry forwards (2017: \$9,880,939). These loss carry forwards expire at various dates between 2029 and 2036.

10 Financial risk factors

The Company's financial instruments are exposed to certain financial risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

10.1 Credit and Interest rate risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash.

10.2 Fair value

The Company's financial assets and liabilities consist of cash and cash equivalents, other receivables, trade and other payables and borrowings. The estimated fair values of cash, accounts payable and accrued liabilities, and borrowings approximate their respective carrying values.

10.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at December 31, 2018 the Company was unable to meet its financial obligations and there is a material risk that the Company will not be able to meet its existing and future financial obligations. See note 1 for further information.

11 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares.