# Royal Coal Corp.

## Condensed Interim Consolidated Financial Statements
**March 31, 2021**
(expressed in US dollars)
(unaudited)

# Royal Coal Corp.
# Consolidated Statements of Financial Position

(expressed in US dollars)
(unaudited)

| | Notes | As at March 31, 2021 $ | As at December 31, 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash | | 30,554 | 46,562 |
| Receivables | | 9,976 | 9,976 |
| | | 40,530 | 56,538 |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 29,657 | 29,863 |
| Advances payable | 4 and 11 | 141,376 | 141,376 |
| Due to related parties | 5 and 11 | 94,814 | 110,889 |
| Default judgment payable | 6 | 24,150,657 | 23,447,239 |
| | | 24,416,504 | 23,729,367 |
| **Shareholders' deficit** | | | |
| Share capital | 7 | 41,827,068 | 41,827,068 |
| Contributed surplus | | 2,578,486 | 2,578,486 |
| Deficit | | (68,781,528) | (68,078,383) |
| | | (24,375,974) | (23,672,829) |
| **Total liabilities and shareholders' deficit** | | 40,530 | 56,538 |
| **Going concern** | 2 | | |
| **Subsequent events** | 11 | | |

**Approved by the Board:**

A.T. Griffis
**Director**

Elia Crespo
**Director**

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

# Royal Coal Corp.
# Consolidated Statements of Loss and Comprehensive Loss
(expressed in US dollars)
(unaudited)

| | Notes | 3 months ended March 31, 2021 $ | 2020 $ (Restated - note 12) |
|---|---|---|---|
| **Expenses** | | | |
| Public company costs | | - | 35,806 |
| General and administration | | 196 | 252 |
| Foreign exchange loss | | (469) | - |
| Interest | 6 | 703,417 | 629,587 |
| | | 703,144 | 665,645 |
| **Loss and comprehensive loss** | | (703,144) | (665,645) |
| **Loss per common share-basic and diluted** | | (1.41) | (1.34) |
| **Weighted average number of common shares-basic and diluted** | | 497,892 | 497,892 |

# Royal Coal Corp.
# Consolidated Statements of Changes in Shareholders' Deficit
(expressed in US dollars)
(unaudited)

| | Share capital Common shares Number | $ | Contributed surplus $ | Deficit $ (Restated - note 12) | Total $ (Restated - note 12) |
|---|---|---|---|---|---|
| **Balance, December 31, 2020** | 497,892 | 41,827,068 | 2,578,486 | (68,078,383) | (23,672,829) |
| Loss | - | - | - | (703,144) | (703,144) |
| **Balance, March 31, 2021** | 497,892 | 41,827,068 | 2,578,486 | (68,781,527) | (24,375,973) |
| **Balance, December 31, 2019** | | | | | |
| As previously reported | 497,892 | 41,827,068 | 2,578,486 | (44,444,883) | (39,329) |
| Adjustment | - | - | - | (20,928,892) | (20,928,892) |
| **Balance, December 31, 2019, as restated** | 497,892 | 41,827,068 | 2,578,486 | (65,373,775) | (20,968,221) |
| Loss | - | - | - | (665,645) | (665,645) |
| **Balance, March 31, 2020** | 497,892 | 41,827,068 | 2,578,486 | (66,039,420) | (21,633,866) |

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

# Royal Coal Corp.
# Consolidated Statements of Cash Flows
(expressed in US dollars)
(unaudited)

| | Notes | 3 months ended March 31, 2021 $ | 2020 $ (Restated - note 12) |
|---|---|---|---|
| **Cash provided by (used in) :** | | | |
| **Operating activities** | | | |
| Loss | | (703,144) | (665,645) |
| Item not affecting cash | | | |
| Interest not paid | 6 | 703,417 | 629,587 |
| Changes in non-cash operating working capital | | | |
| Accounts payable and accrued liabilities | | (206) | - |
| | | 67 | (36,058) |
| **Financing activities** | | | |
| Advances payable | | - | 90,867 |
| Advances from related parties | | (16,075) | 41,412 |
| | | (16,075) | 132,279 |
| **Net change in cash** | | (16,008) | 96,221 |
| **Cash, beginning of period** | | 46,562 | - |
| **Cash, end of period** | | 30,554 | 96,221 |
| **Supplementary information** | | | |
| Interest paid | | - | - |
| Income taxes paid | | - | - |

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

### 1. Nature of operations

Royal Coal Corp. (the "Company") is a public company which has been inactive since 2012. The Company is incorporated under the laws of Ontario and its registered office is located at 100 King Street West, Suite 5600 PO Box 270, Toronto, Ontario, M5X 1C9.

### 2. Going concern

The Company is inactive and does not generate revenue. As March 31, 2021, the Company had a working capital deficit of $24,375,974 (December 31, 2020 - $23,672,829) and for the 3 months ended March 31, 2021, the Company incurred a loss of $703,144 (2020 (restated) - $665,648). The working capital deficit and losses limit the Company's ability to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations.

The continued operation of the Company is dependent upon the Company's ability to settle its outstanding liabilities including the default judgment payable and secure equity financing to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

### 3. Basis of presentation

**Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 31, 2021.

### 4. Advances payable

Advances payable are unsecured, non-interest bearing and due on demand.

See note 11, *Subsequent events*.

**5. Due to related parties**

The amounts due to related parties are unsecured, non-interest bearing and due on demand:

| | **As at March 31, 2021** | **As at December 31, 2020** |
|---|---|---|
| | **$** | **$** |
| Companies controlled by directors and officers | 56,627 | 72,702 |
| A shareholder | 38,187 | 38,187 |
| | 94,814 | 110,889 |

See note 11, *Subsequent events*.

**6. Default judgment payable**

| | **$** |
|---|---|
| Balance, December 31, 2020 | 23,447,239 |
| Interest | 703,417 |
| Balance, March 31, 2021 | 24,150,657 |

On July 13, 2012, a default judgment of $10,266,882, plus pre-judgment interest from May 3, 2012 and post-judgment interest from July 13, 2012 at the statutory interest rate of 12% per annum, was entered against the Company by a Kentucky court for amounts payable pursuant to a coal production payment agreement, coal purchase agreement and royalty agreement related to the Company's former coal mining operations ("Coal Assets"). Pursuant to the default judgment, the plaintiff was entitled to possession of the Coal Assets to sell to satisfy the default judgment. On October 26, 2012 and in accordance with the default judgment, proceeds of $1,500,000 from the sale of Coal Assets was credited to the default judgment payable. See note 12, *Restated information.*

The Company is working to settle the default judgment payable.

**7. Share capital**

**Authorized**

An unlimited number of special shares issuable in series
An unlimited number of common shares.

**Issued**

| | **Number of common shares** | **$** |
|---|---|---|
| Balance, December 31, 2020 and March 31, 2021 | 497,892 | 41,827,068 |

See note 11, *Subsequent events*.

**8. Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Accounts payable and accrued liabilities, advances payable, due to related parties and default judgment payable*

The fair values of accounts payable and accrued liabilities, advances payable, due to related parties and default judgment payable approximates their carrying values due to the short term to maturity.

*Classification of fair value of financial instruments*

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amounts of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities.
Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data.

## 9. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its operations and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As the Company has no financial assets, the Company had no exposure to credit risk.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company’s ability to secure equity to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations

***Market risk***

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments.

*Foreign exchange risk*

Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The Company’s accounts payable and accrued liabilities and due to related parties are denominated in Canadian dollars.
The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

***Capital management***

Capital of the Company consists of share capital, contributed surplus and deficit. The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain the future development of the Company. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is inactive and has no revenues, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company’s approach to capital management during the year.

The Company's activities expose it to a variety of financial risks that arise as a result of its operations and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

***Credit risk***
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Company's cash. The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with a Canadian chartered bank.

***Liquidity risk***
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to settle its outstanding liabilities including the default judgment payable and secure equity to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations. See note 2.

***Market risk***
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

*Foreign exchange risk*
Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The Company's cash and accounts payable and accrued liabilities, advance payable and due to related parties are denominated in Canadian dollars. The Company estimates that if the exchange rate between United States dollars and Canadian dollars as at March 31, 2021 had changed by 1%, with all other variables held constant, the foreign exchange gain (loss) would have decreased or increased by $3,900.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

*Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2021, the Company's exposure to the risk of changes in market interest rates relates to post-judgment interest on the default judgment payable. Because of the post-judgment interest rate is fixed at 12%, fluctuations in market rates do not have a significant impact on estimated fair values at March 31, 2021.

***Capital management***
Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire a business for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is inactive and has no revenues, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

## 10. Related party transactions

**Compensation of key management personnel**
The Company considers its directors and officers to be key management personnel. There was no compensation for key management personnel in the 3 months ended March 31, 2021 and March 31, 2020.

Amounts due to related parties are disclosed in note 5.

## 11. Subsequent events
On May 6, 2021, the Company amended debt settlement agreements dated October 20, 2020 and on May 19, 2021, issued 59,999,998 common shares at a price of C$0.005 per common share to settle advances payable of $141,376 and due to related parties of $90,761.

**12. Restated information**

Subsequent to December 31, 2019, the Company determined that a default judgment payable (see note 6) should be retroactively reflected in its consolidated financial statements.

The effect of adjustments to the consolidated financial statements for the 3 months ended March 31, 2020 to reflect the default judgment payable are as follows:

| | As previously reported $ | Adjustments $ | As restated $ |
|---|---|---|---|
| **Consolidated statement of loss and comprehensive loss** | | | |
| Interest | – | 629,587 | 629,587 |
| Total expenses | 36,058 | 629,587 | 665,645 |
| Loss and comprehensive loss | (36,058) | (629,587) | (665,645) |
| **Consolidated statement of changes in shareholders' deficit** | | | |
| Deficit | (44,480,941) | (21,558,479) | (66,039,420) |
| Total shareholders' deficit | (75,387) | (21,558,479) | (21,633,866) |
| **Consolidated statement of cash flows** | | | |
| Loss | (36,058) | (629,587) | (665,645) |
| Item not affecting cash, interest not paid | – | (629,587) | (629,587) |
| **Loss per common share** | – | (1.34) | (1.34) |