

# Royal Coal Corp.

## Condensed Interim Consolidated Financial Statements

**March 31, 2022**

(expressed in US dollars)

(unaudited)

# Royal Coal Corp.

## Consolidated Statements of Financial Position

(expressed in US dollars)  
(unaudited)

|  | Notes                    | As at<br>March 31,<br>2022<br>\$ | As at<br>December 31,<br>2021<br>\$ |
|--|--------------------------|----------------------------------|-------------------------------------|
| <b>Assets</b>                                      |                          |                                  |                                     |
| Cash   |                          | 10,135                           | 15,998                              |
| Receivables  |                          | 1,565                            | 1,542                               |
|  |                          | <u>11,700</u>                    | <u>17,540</u>                       |
| <b>Liabilities</b>                                 |                          |                                  |                                     |
| Current  |                          |                                  |                                     |
| Accounts payable and accrued liabilities           |                          | 3,696                            | 6,072                               |
| Due to related parties                             | 4 and 9                  | 26,274                           | 25,896                              |
| Default judgment payable                           | 5                        | 27,048,735                       | 26,260,908                          |
|  |                          | <u>27,078,705</u>                | <u>26,292,876</u>                   |
| <b>Shareholders' deficit</b>                       |                          |                                  |                                     |
| Share capital                                      | 6                        | 42,059,205                       | 42,059,205                          |
| Contributed surplus                                |                          | 2,578,486                        | 2,578,486                           |
| Deficit  |                          | (71,704,696)                     | (70,913,027)                        |
|  |                          | <u>(27,067,005)</u>              | <u>(26,275,336)</u>                 |
| <b>Total liabilities and shareholders' deficit</b> |                          | <u>11,700</u>                    | <u>17,540</u>                       |
| <b>Going concern</b>                               | 2                        |                                  |                                     |
| <b>Approved by the Board:</b>                      |                          |                                  |                                     |
|  | A.T. Griffis<br>Director | Elia Crespo<br>Director          |                                     |

## Royal Coal Corp.

### Consolidated Statements of Loss and Comprehensive Loss

(expressed in US dollars)

(unaudited)

|   | Notes | 3 months ended March 31, |           |
|---|-------|--------------------------|-----------|
|   |       | 2022                     | 2021      |
|   |       | \$                       | \$        |
| <b>Expenses</b>   |       |                          |           |
| Professional fees   |       | 2,226                    | -         |
| Public company costs  |       | 1,170                    | -         |
| General and administration  |       | 53                       | 196       |
| Foreign exchange loss (gain)                                      |       | 394                      | (469)     |
| Interest  | 5     | 787,827                  | 703,417   |
|   |       | 791,670                  | 703,144   |
| <b>Loss and comprehensive loss</b>                                |       | (791,670)                | (703,144) |
| <b>Loss per common share-basic and diluted</b>                    |       | (0.01)                   | (1.41)    |
| <b>Weighted average number of common shares-basic and diluted</b> |       | 60,497,890               | 497,892   |

## Royal Coal Corp.

### Consolidated Statements of Changes in Shareholders' Deficit

(expressed in US dollars)

(unaudited)

|                                   | Share capital<br>Common shares |            | Contributed<br>surplus | Deficit      | Total        |
|-----------------------------------|--------------------------------|------------|------------------------|--------------|--------------|
|                                   | Number                         | \$         |                        |              |              |
|                                   |                                | \$         | \$                     | \$           | \$           |
| <b>Balance, December 31, 2021</b> | 60,497,890                     | 42,059,205 | 2,578,486              | (70,913,027) | (26,275,336) |
| Loss                              | -                              | -          | -                      | (791,670)    | (791,670)    |
| <b>Balance, March 31, 2022</b>    | 60,497,890                     | 42,059,205 | 2,578,486              | (71,704,697) | (27,067,006) |
| <b>Balance, December 31, 2020</b> | 497,892                        | 41,827,068 | 2,578,486              | (68,078,383) | (23,672,829) |
| Loss                              | -                              | -          | -                      | (703,144)    | (703,144)    |
| <b>Balance, March 31, 2021</b>    | 497,892                        | 41,827,068 | 2,578,486              | (68,781,527) | (24,375,973) |

# Royal Coal Corp.

## Consolidated Statements of Cash Flows

(expressed in US dollars)  
(unaudited)

|   | Notes | 3 months ended March 31, |           |
|---|-------|--------------------------|-----------|
|   |       | 2022                     | 2021      |
|   |       | \$                       | \$        |
| <b>Cash provided by (used in) :</b>           |       |                          |           |
| <b>Operating activities</b>                   |       |                          |           |
| Loss  |       | (791,670)                | (703,144) |
| Item not affecting cash                       |       |                          |           |
| Foreign exchange gain                         |       | 378                      | -         |
| Interest not paid                             | 5     | 787,827                  | 703,417   |
| Changes in non-cash operating working capital |       |                          |           |
| Receivables                                   |       | (23)                     | -         |
| Accounts payable and accrued liabilities      |       | (2,375)                  | (206)     |
|   |       | (5,863)                  | 67        |
| <b>Financing activities</b>                   |       |                          |           |
| Advances from related parties                 |       | -                        | (16,075)  |
| <b>Net change in period</b>                   |       | (5,863)                  | (16,008)  |
| <b>Cash, beginning of period</b>              |       | 15,998                   | 46,562    |
| <b>Cash, end of period</b>                    |       | 10,135                   | 30,554    |
| <b>Supplementary information</b>              |       |                          |           |
| Interest paid                                 |       | -                        | -         |
| Income taxes paid                             |       | -                        | -         |

**Royal Coal Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**March 31, 2022**  
(expressed in US dollars)  
(unaudited)

**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, 2022, the Company had a working capital deficit of \$27,067,005 (December 31, 2021 - \$26,275,336) and for the 3 months ended March 31, 2022, the Company incurred a loss of \$791,670 (2021 - \$703,144) and a cashflow deficit from operations of \$5,862 (2021 - cashflow from operations of \$67). The working capital deficit, losses and cashflow deficit from operations 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.

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, 2021.

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, 2021.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 24, 2022.

**4. Due to related parties**

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

|  | <b>As at<br/>March 31,<br/>2022<br/>\$</b> | <b>As at<br/>December 31,<br/>2021<br/>\$</b> |
|--|--|---|
| Companies controlled by directors and officers | 26,274                                     | 25,896  |

## 5. Default judgment payable

|                            |            |
|----------------------------|------------|
|                            | \$         |
| Balance, December 31, 2021 | 26,260,908 |
| Interest                   | 787,827    |
| Balance, March 31, 2022    | 27,048,735 |

The Company is working to settle the default judgment payable.

## 6. Share capital

### Authorized

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

### Issued

|   | Number of<br>common shares | \$         |
|---|----------------------------|------------|
| Balance, December 31, 2021 and March 31, 2022 | 60,497,890                 | 42,059,205 |

## 7. 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, due to related parties and default judgment payable*

The fair value of accounts payable and accrued liabilities, 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 amount 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.

## 8. 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. 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, 2022 had changed by 10%, with all other variables held constant, the foreign exchange gain (loss) would have decreased or increased by \$2,852.

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, 2022, 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, 2022.

**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.

**9. 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, 2022 and March 31, 2021.

Amounts due to related parties are disclosed in note 4.