

Royal Coal Corp.

Condensed Interim Consolidated Financial Statements

June 30, 2022

(expressed in US dollars)

(unaudited)

Royal Coal Corp.

Consolidated Statements of Financial Position

(expressed in US dollars)
(unaudited)

	Notes	As at June 30, 2022 \$	As at December 31, 2021 \$
Assets			
Cash		8,838	15,998
Receivables		1,782	1,542
		<u>10,620</u>	<u>17,540</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		11,554	6,072
Due to a related party	4 and 9	34,673	25,896
Default judgment payable	5	27,836,563	26,260,908
		<u>27,882,790</u>	<u>26,292,876</u>
Shareholders' deficit			
Share capital	6	42,059,205	42,059,205
Contributed surplus		2,578,486	2,578,486
Deficit		(72,509,861)	(70,913,027)
		<u>(27,872,170)</u>	<u>(26,275,336)</u>
Total liabilities and shareholders' deficit		<u>10,620</u>	<u>17,540</u>
Going concern	2		
Approved by the Board:			
	A.T. Griffis Director	Elia Crespo Director	

Royal Coal Corp.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in US dollars)

(unaudited)

	Notes	3 months ended June 30,		6 months ended June 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Professional fees		15,494	2,853	17,720	2,853
Public company costs		3,251	3,737	4,421	3,737
General and administration		25	61	78	257
Foreign exchange loss (gain)		(1,433)	(493)	(1,039)	(962)
Interest	5	787,827	703,417	1,575,654	1,406,834
		805,164	709,575	1,596,834	1,412,719
Loss and comprehensive loss		(805,164)	(709,575)	(1,596,834)	(1,412,719)
Loss per common share-basic and diluted		(0.01)	(0.03)	(0.03)	(0.10)
Weighted average number of common shares-basic and diluted		60,497,890	28,190,199	60,497,890	14,240,543

Royal Coal Corp.

Consolidated Statements of Changes in Shareholders' Deficit

(expressed in US dollars)

(unaudited)

	Share capital Common shares		Contributed surplus	Deficit	Total
	Number	\$			
Balance, December 31, 2021	60,497,890	42,059,205	2,578,486	(70,913,027)	(26,275,336)
Loss	-	-	-	(1,596,834)	(1,596,834)
Balance, June 30, 2022	60,497,890	42,059,205	2,578,486	(72,509,861)	(27,872,170)
Balance, December 31, 2020	497,892	41,827,068	2,578,486	(68,078,383)	(23,672,829)
Shares for debt	59,999,988	232,137	-	-	232,137
Loss	-	-	-	(1,412,719)	(1,412,719)
Balance, June 30, 2021	60,497,880	42,059,205	2,578,486	(69,491,102)	(24,853,411)

Royal Coal Corp.

Consolidated Statements of Cash Flows

(expressed in US dollars)
(unaudited)

	Notes	6 months ended June 30,	
		2022	2021
		\$	\$
Cash provided by (used in) :			
Operating activities			
Loss		(1,596,834)	(1,412,719)
Item not affecting cash			
Foreign exchange gain		8,777	-
Interest not paid	5	1,575,654	1,406,834
Changes in non-cash operating working capital			
Receivables		(240)	(523)
Accounts payable and accrued liabilities		5,483	(20,176)
		<u>(7,160)</u>	<u>(26,584)</u>
Financing activities			
Advances from related parties		-	(2,787)
		<u>(7,160)</u>	<u>(29,371)</u>
Net change in period		(7,160)	(29,371)
Cash, beginning of period		15,998	46,562
Cash, end of period		8,838	17,191
Non-cash transaction			
Issue of common shares for debt		-	232,137
Supplementary information			
Interest paid		-	-
Income taxes paid		-	-

Royal Coal Corp.
Notes to Condensed Interim Consolidated Financial Statements
June 30, 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 June 30, 2022, the Company had a working capital deficit of \$27,864,032 (December 31, 2021 - \$26,275,336) and for the 6 months ended June 30, 2022, the Company incurred a loss of \$1,588,696 (2021 - \$1,412,719) and a cashflow deficit from operations of \$7,160 (2021 - \$26,584). 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 August 23, 2022.

4. Due to related party

The amount due to a related party is unsecured, non-interest bearing and due on demand:

	As at June 30, 2022 \$	As at December 31, 2021 \$
Company controlled by a director	34,673	25,896

5. Default judgment payable

	\$
Balance, December 31, 2021	26,260,908
Interest	1,575,655
Balance, June 30, 2022	27,836,563

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 common shares	\$
Balance, December 31, 2021 and June 30, 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 June 30, 2022 had changed by 10%, with all other variables held constant, the foreign exchange gain (loss) would have decreased or increased by \$5,478.

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 June 30, 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 June 30, 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. The Company incurred professional fees of \$8,137 (2021 - \$3,224) for legal services provided by a law firm with a partner who is a director of the Company. There was no other compensation for key management personnel in the 6 months ended June 30, 2022 and June 30, 2021.

Amounts due to a related party is disclosed in note 4.