Colonial Coal International Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Nine Months Ended April 30, 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	April 30, 2023 $	July 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		4,248,685	2,882,134
Short term investments		88,266	88,064
Receivables and prepaids	3	45,071	112,410
Due from related parties	7	3,089	12,089
		4,385,111	3,094,697
Coal properties and deferred expenditures	4	14,364,291	14,341,862
Reclamation deposits	4	203,200	203,200
Equipment and right-of-use asset	5	66,092	18,728
Deferred acquisition costs		1	1
		14,633,584	14,563,791
		19,018,695	17,658,488
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		79,640	83,615
Due to related parties	7	23,668	3,000
Lease obligations – current portion	5	41,150	7,621
		144,458	94,236
Lease obligations – non-current portion	5	17,445	-
		161,903	94,236
Equity Attributable to Shareholders			
Share capital	6	46,746,723	41,996,440
Contributed surplus		17,313,129	16,419,472
Deficit		(45,203,060)	(40,851,660)
		18,856,792	17,564,252
		19,018,695	17,658,488

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 April 30, 2023 $	Three months ended April 30, 2022 $	Nine months ended April 30, 2023 $	Nine months ended April 30, 2022 $
Expenses					
Amortization		11,520	20,709	37,363	61,344
Consulting	7	36,643	40,496	154,688	123,057
Director’s fees	7	6,000	6,000	18,000	18,000
Filing and listing fees		14,116	12,714	95,541	54,261
Management fees	7	148,001	148,001	454,003	460,003
Office and administration		102,242	67,190	343,179	199,693
Professional fees	7	50,502	52,891	178,268	158,585
Shareholder communications		69,167	34,227	139,687	111,847
Share-based payments	6(c), 7	5,944,528	7,914,659	6,503,880	7,914,659
Travel and promotion		21,058	19,479	53,718	64,976
		(6,403,777)	(8,316,366)	(7,978,327)	(9,166,425)
Other income					
Interest and dividend income		4,445	3,292	40,488	11,893
Lease finance charge	5	(2,544)	(1,253)	(6,511)	(5,556)
Comprehensive loss for the period		(6,401,876)	(8,314,327)	(7,944,350)	(9,160,088)
Basic and diluted loss per common share		(0.04)	(0.05)	(0.05)	(0.05)
Weighted average number of shares outstanding - Basic and diluted		176,398,600	175,050,972	175,830,196	174,680,029

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital				
	Number of Shares #	**Amount** $	**Contributed Surplus** $	**Deficit** $	**Total** $
Balance, July 31, 2021	174,368,051	41,068,019	8,916,034	(31,244,584)	18,739,469
Shares issued pursuant to exercise of options	890,000	275,900	-	-	275,900
Transfer value on exercise of options	-	223,429	(223,429)	-	-
Share-based payments	-	-	7,914,659	-	7,914,659
Comprehensive loss for the period	-	-	-	(9,160,088)	(9,160,088)
Balance, April 30, 2022	175,258,051	41,567,348	16,607,264	(40,404,672)	17,769,940
Shares issued pursuant to exercise of options	480,000	241,300	-	-	241,300
Transfer value on exercise of options	-	187,792	(187,792)	-	-
Comprehensive loss for the period	-	-	-	(446,988)	(446,988)
Balance, July 31, 2022	175,738,051	41,996,440	16,419,472	(40,851,660)	17,564,252
Shares issued pursuant to exercise of options	2,336,045	2,733,010	-	-	2,733,010
Transfer value on exercise of options	-	2,017,273	(2,017,273)	-	-
Transfer value on options cancelled	-	-	(3,592,950)	3,592,950	-
Share-based payments	-	-	6,503,880	-	6,503,880
Comprehensive loss for the period	-	-	-	(7,944,350)	(7,944,350)
Balance, April 30, 2023	178,074,096	46,746,723	17,313,129	(45,203,060)	18,856,792

Colonial Coal International Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian Dollars)

	Nine months ended April 30, 2023 $	Nine months ended April 30, 2022 $
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(7,944,350)	(9,160,088)
Items not affecting cash		
Amortization	37,363	61,344
Share-based payments	6,503,880	7,914,659
Interest income	(40,488)	(11,893)
Lease finance charge	6,511	5,556
	(1,437,084)	(1,190,422)
Interest received	40,488	12,452
Net change in non-cash working capital items:		
Receivables and prepaids	67,339	(6,031)
Accounts payable and accrued liabilities	(14,840)	(60,122)
Due to/from related parties	29,668	28,426
	(1,314,429)	(1,215,697)
Investing activities		
Purchase of computer equipment	-	(12,831)
Short-term investments	(202)	-
Deferred costs	(139,112)	(198,287)
License fee refund	25,035	-
B.C Mining Exploration Tax Credits	102,513	-
	(11,766)	(211,118)
Financing activities		
Exercise of options	2,733,010	275,900
Lease payments	(40,264)	(65,282)
	2,692,746	210,618
Increase (decrease) in cash and cash equivalents	1,366,551	(1,216,197)
Cash and cash equivalents, beginning of the period	2,882,134	4,594,197
Cash and cash equivalents, end of the period	4,248,685	3,378,000

Supplemental cash flow information (Note 9)

(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 ("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, 2022, 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, 2022.

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, 2022.

These financial statements were approved by the board of directors for use on June 20, 2023.

3 Receivables and prepaids

	April 30, 2023 **$**	**July 31, 2022** **$**
GST recoverable	8,380	35,146
Prepaid expenses and other	36,691	77,264
	45,071	112,410

(Unaudited – expressed in Canadian Dollars)

4 Coal properties and deferred expenditures

	Huguenot $	Flatbed $	Total $
Balance, July 31, 2021	11,479,426	2,401,854	13,881,280
Field programs	42,014	3,948	45,962
Consultants and contractors	101,529	15,359	116,888
Licenses and fees	129,145	112,610	241,755
Project administration	43,633	12,344	55,977
	316,321	144,261	460,582
Balance, July 31, 2022	11,795,747	2,546,115	14,341,862
Field programs	-	2,889	2,889
Consultants and contractors	27,621	11,798	39,419
Licenses and fees	54,200	5,300	59,500
Project administration	34,012	14,157	48,169
License fee refund	(25,035)	-	(25,035)
B.C. mining exploration tax credits	(68,982)	(33,531)	(102,513)
	21,816	613	22,429
Balance, April 30, 2023	11,817,563	2,546,728	14,364,291

The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 hectares and 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 covering 9,607 hectares and 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 April 30, 2023, the Company had $203,200 (July 31, 2022 - $203,200) of reclamation bonds held by the British Columbia Ministry of Energy, Mines and Low Carbon Innovation.

(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 nine months ended April 30, 2023 and for the year ended July 31, 2022 is as follows:

		Total
Balance, July 31, 2021	$	82,317
Amortization of ROU		(75,985)
Balance, July 31, 2022		6,332
Amortization of ROU		(6,332)
Initial recognition of new lease		84,726
Amortization of ROU		(28,242)
Balance, April 30, 2023	$	56,484

b) *Lease liabilities*

A reconciliation of the Company's lease liabilities for the nine months ended April 30, 2023 and for the year ended July 31, 2022 is as follows:

		Total
Balance, July 31, 2021	$	87,981
Accretion of interest		6,826
Lease payments		(87,186)
Balance, July 31, 2022		7,621
Addition of new lease		84,726
Accretion of interest		6,511
Lease payments		(40,263)
Balance, April 30, 2023	$	58,595

		April 30, 2023		July 31, 2022
Short-term portion of lease liability	$	41,150	$	7,621
Long-term portion of lease liability	$	17,445	$	-

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 nine months ended April 30, 2023, the Company issued 2,336,045 shares for total proceeds of $2,733,010 pursuant to exercise of 2,336,045 stock options. The Company transferred $2,017,273, the fair value of the stock options exercised, from contributed surplus to share capital.

During the year ended July 31, 2022, the Company issued 1,370,000 shares for total proceeds of $517,200 pursuant to exercise of 1,370,000 stock options. The Company transferred $411,221, the grant date 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.

(Unaudited – expressed in Canadian Dollars)

The Company's stock options outstanding as of April 30, 2023 and July 31, 2022 and the changes for the years then ended are as follows:

	Number of options	Weighted Average Exercise Price $
Balance, July 31, 2021	9,000,000	0.33
Granted	4,670,000	2.29
Expired	(300,000)	0.31
Exercised	(1,370,000)	0.38
Balance, July 31, 2022	12,000,000	1.09
Granted	6,680,000	1.35
Cancelled	(2,120,000)	2.29
Exercised	(2,336,045)	1.17
Balance outstanding, April 30, 2023	14,223,955	1.02
Exercisable, April 30, 2023	13,973,955	1.01

Options to acquire common shares outstanding on April 30, 2023 are as follows:

Expiry Date	Exercise price $	Options Outstanding
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	1.10	1,483,955
March 3, 2033	1.57	500,000
March 22, 2033	2.00	300,000
April 4, 2033	1.67	1,310,000
		14,223,955

On April 4, 2023, the Company granted to 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 are 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 nine months ended April 30, 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 to 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 are vested at the grant date. The fair value of the stock options granted was $339,904 ($1.13 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

(Unaudited – expressed in Canadian Dollars)

On March 3, 2023, the Company granted to 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 $573,314 ($1.15 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On February 14, 2023, the Company granted to 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 are 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 nine months ended April 30, 2023, 2,086,045 options were exercised. Fair value of the options exercised, $1,696,606, was transferred from contributed surplus to share capital.

On February 13, 2023, the Company granted to Adelaide Capital Markets Inc. (“Adelaide”) an incentive stock option 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 $286,968 ($1.15 per option), and $126,297 is amortized in the consolidated statements of loss and comprehensive loss for the nine months ended April 30, 2023.

On September 26, 2022, the Company granted to two consultants 500,000 stock options, exercisable at $1.50 per share for a term of 10 years. These options vested on the date of grant. The fair value of the stock options granted was $559,879 ($1.12 per option) and is recorded in the consolidated statements of loss and comprehensive loss.

On February 7, 2022, the Company granted to directors, officers, employees and consultants 4,670,000 stock options, exercisable at $2.29 per share for a term of 10 years. These options vested on the date of grant. The fair value of the stock options granted was $7,914,659 ($1.70 per option) and is recorded in the consolidated statements of loss and comprehensive loss. On April 3, 2023, 2,120,000 options were cancelled. Fair value of the options cancelled, $3,592,950, was transferred from contributed surplus to deficit.

The fair value of the stock options granted was determined using the Black-Scholes option price modelling with the following assumptions:

	Nine months ended April 30, 2023	Year ended July 31, 2022
Average stock price ($)	1.38	2.29
Average exercise price ($)	1.33	2.29
Average risk-free interest rate (%)	3.16	1.68
Expected life (years)	4.87	5.0
Expected volatility (%)	94.16	98
Expected dividends ($)	Nil	Nil

(Unaudited – expressed in Canadian Dollars)

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.

As at April 30, 2023, $23,668 (July 31, 2022 - $3,000) was due to, and $3,089 (July 31, 2022 - $12,089) was due from related parties of the Company:

	April 30, 2023	July 31, 2022
Due to related parties		
COO	$ 20,668	$ -
Director	3,000	3,000
	$ 23,668	$ 3,000
Due from related parties		
CEO	3,194	3,194
Consultant, son of CEO	105	8,895
	$ 3,089	$ 12,089

During the nine months ended April 30, 2023 and 2022, the Company entered into the following transactions with related parties:

	Nine months ended April 30, 2023	Nine months ended April 30, 2022
Management fee – CEO	$ 200,000	$ 203,000
Management fee – COO	177,503	180,503
Management fee – Directors	76,500	76,500
Consulting fee – Son of CEO	59,000	62,000
Professional fee – former CFO	-	22,500
Professional fee – CFO	78,000	37,000
Directors' fees	18,000	18,000
Share-based compensation (Note 6c)		
- Nil (2022 – 2,200,000) options granted to directors and officers	-	3,729,000
	$ 786,506	$ 4,328,503

8 Commitments

a) 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 nine months ended April 30, 2023, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- Deferred expenditures of $Nil included in accounts payable and accrued liabilities on April 30, 2023, less expenditures included in accounts payable and accrued liabilities on July 31, 2022 of $18,521 (net inclusion of $18,521).
- Right-of-use assets of $84,726 included in lease liability at initial recognition.

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 nine months ended April 30, 2022, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- Deferred expenditures of $16,166 included in accounts payable and accrued liabilities on April 30, 2022, less expenditures included in accounts payable and accrued liabilities on July 31, 2021 of $25,003 (net inclusion of $5,268).

10 Segment information

The Company operates in one segment – the acquisition, exploration, and development of coal properties. As of April 30, 2023, all the operations and assets were in Canada.

11 Events subsequent to the reporting period

Subsequent to the nine months ended April 30, 2023, the Company issued 45,045 shares for total proceeds of $50,000 pursuant to exercise of 45,045 stock options.