



(Formerly EastCoal Inc.)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021

(Formerly EastCoal Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(all tabular amounts in thousands of Canadian dollars)

	Sept. 30, 2021	Dec. 31, 2020
ASSETS		
Current		
Cash	\$ 472	\$ 3
Prepaid expenses	33	7
TOTAL ASSETS	\$ 505	\$ 10
LIABILITIES		
Current		
Trade and other payables	\$ 209	\$ 69
Accrued liabilities	\$ 204	-
TOTAL LIABILITIES	413	69
EQUITY		
Share capital (Note 3)	90,996	90,646
Contributed surplus	10,138	9,969
Deficit	(101,042)	(100,674)
TOTAL EQUITY	92	(59)
TOTAL LIABILITIES AND EQUITY	\$ 505	\$ 10

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) Abraham Jonker Director

(signed) Hendrik Dietrichsen Director

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(all tabular amounts in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
Expenses				
Professional consulting fees	(132)	-	(144)	(28)
General and administrative expenses	(195)	(9)	(203)	(58)
Share-based compensation	(20)	-	(20)	-
Operating income (loss)	(347)	(9)	(367)	(86)
Finance expense	-	-	-	(17)
Foreign exchange (loss) gain	(1)	-	(2)	-
Net finance expense	(1)	-	(2)	(17)
Comprehensive loss for the period	\$ (348)	\$ (9)	\$ (369)	\$ (103)
Net loss per common share				
Basic and diluted	\$(0.02)	\$(0.00)	\$(0.02)	\$(0.01)
Weighted average number of common shares outstanding				
Basic and diluted	20,028,016	19,017,915	19,358,315	14,122,941

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(all tabular amounts in thousands of Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Deficit	Total Equity
Balance – Jan. 1, 2020	11,440,384	\$ 90,134	\$ 9,969	\$ (100,571)	\$ (468)
Net loss for the period	-	-	-	(103)	(103)
Share issue for cash	7,577,531	512	-	-	512
Balance – Sept. 30, 2020	19,017,915	\$ 90,646	\$ 9,969	\$ (100,674)	\$ (50)
Balance – Jan. 1, 2021	19,017,915	\$ 90,646	\$ 9,969	\$ (100,674)	\$ (59)
Net loss for the period	-	-	-	(369)	(369)
Share issue for cash	4,040,404	500	-	-	500
Issuance of warrants	-	(149)	149	-	-
Equity-settled share-based compensation	-	-	20	-	20
Balance – Sept. 30, 2021	23,058,319	\$ 90,996	\$ 10,138	\$ (101,043)	\$ 92

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(all tabular amounts in thousands of Canadian dollars)

	For the nine months ended	
	Sept. 30, 2021	Sept. 30, 2020
OPERATING ACTIVITIES		
Loss for the period	\$ (369)	\$ (103)
Add items not affecting cash		
Share-based compensation	20	17
Changes in non-cash working capital balances related to operations		
Prepaid expenses	(26)	(2)
Trade and other payables	344	81
Cash used in by operating activities	(31)	(7)
Financing Activities		
Private placement financing	500	
Net increase (decrease) in cash for the period	469	(7)
Cash, beginning of period	3	10
Cash, end of period	\$ 472	\$ 3

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts in thousands of Canadian dollars)

1 Corporate information and going concern

CoTec Holdings Corp. (the “Company”) was incorporated on December 15, 1986 under the laws of the Province of British Columbia, Canada. Its registered address is Suite 428, 755 Burrard Street, Vancouver, BC, V6Z 1X6, Canada.

On August 12, 2021 the Company announced a change in its business focus. The Company now focusses on investment in disruptive and scalable technology in the mineral extraction industry and in parallel acquiring assets to which the technology could be applied. On August 25, 2021 the Company announced the changing of its name from EastCoal Inc. to Cotec Holdings Corp.

These consolidated financial statements were prepared using International Financial Reporting Standards that are applicable to a going concern.

The Company has experienced recurring operating losses and has accumulated a deficit of \$101,042k as at September 30, 2021. For the nine-month period ended September 30, 2021 the Company used cash in operating activities totalling \$31k. The Company had cash of \$472k and a working capital surplus of \$92k as at September 30, 2021. 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. Although the Directors believe that the Company should be able to secure future fundraising as required, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that may 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 could be material.

2 COVID-19 Update

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds, however the impact to date has been limited.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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3 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and follow the same accounting policies and methods of application as contained in the annual financial statements for the year ended December 31, 2020. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements. These interim condensed consolidated financial statements were approved by the Board of Directors on November 29, 2021.

4 Share capital

Equity

The Company has unlimited authorized common shares with no par value. On September 7, 2021 the Company completed a non-brokered private placement (the "Private Placement") of 4,040,404 units (the "Units") at a price of \$0.12375 per Unit, for gross proceeds of \$500,000. Each Unit was comprised of one common share in the share capital of the Company and one non-transferable share purchase warrant (a "Warrant"). Using the relative fair value method, \$350,580 was allocated to share capital for the equity raise, and \$149,420 was allocated to contributed surplus for the Warrants. All securities issued pursuant to the Private Placement are subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation. Total common shares issued and outstanding as at September 30, 2021 numbered 23,058,319.

Stock Options

On September 24, 2021, 1,152,916 stock options were granted to a Director of the Company. The options are exercisable for a period of 10 years at a price of \$0.30 per common share, with 1/3 of the options vesting every 12 months. The fair value of the options was calculated using the Black-Scholes option pricing model based on a risk-free annual interest rate of 1.51%, an expected life of 10 years, an expected volatility of approximately 66% based on historical volatility, and a dividend yield of nil. Furthermore, if at any time during the period from the day the Company is listed on the TSX-V until March 31, 2023, the Company issues additional common shares (or securities convertible into, or exchangeable for, common shares) pursuant to any financing transactions or as consideration for the acquisition of any assets or businesses, the Company will further grant to this Director on each closing date of such transactions, additional options to purchase common shares equal to 5% of the number of common shares issued or issuable pursuant to such financing transaction or acquisition (subject to the Company having a sufficient number of options remaining in its unallocated option pool to issue such additional options).

For the three and nine months ended September 30, 2021, stock-based compensation expense relating to the vesting of stock options, was \$2,523.

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As at September 30, 2021, 1,152,916 stock options were outstanding, with nil options vested.

Warrants

Pursuant to the Private Placement on September 7, 2021 the Company issued 4,040,404 Warrants. Each Warrant entitles the holder to acquire one common share in the Company at a price of \$0.165 per share for a period of twelve months following the date of issuance. The warrants were assigned a fair value of \$149,420 using the relative fair value method. The fair value of the warrants was calculated using the Black-Scholes option pricing model based on a risk-free annual interest rate of 0.52%, an expected life of 1 year, and expected volatility of approximately 66% based on historical volatility, and a dividend yield of nil.

As at September 30, 2021, 4,040,404 Warrants were outstanding.

5 Related party transactions

As at September 30, 2021, a total of \$79,704 was payable to a Director and an officer for expenses paid on behalf of the Company which is included in trade and other payables. In addition, \$18,376 was payable to an officer for expenses paid on behalf of the Company which is also included in trade and other payables. It was agreed that the \$79,704 loan will be repaid through any subsequent equity raise and will be settled through the issuance of shares. No agreed terms were stipulated for the \$18,376 loan which will be repaid in due course.

On August 11, 2021, equity incentive units (the "Units") were granted to a Director of the Company. Each Unit is equivalent in value to one common share of the Company, and will vest on the earlier of i) August 30, 2024, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least \$0.50 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the Units vest in accordance with the aforementioned, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these Units will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. As of September 30, 2021, \$17,061 was recorded as share-based compensation expense for the vesting of these Units.

The Company has entered into an agreement with the CEO-designate to award a cash bonus of \$200,000 subject to the Company being listed on the TSX-V prior to March 31, 2022. The Company has accrued \$170k related to the aforementioned bonus on the estimated probability

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of the required event occurring as at September 30, 2021. In addition, equity incentive units in the amount of 7% of the new common shares issued for the private placement in connection with the transition to the TSX-V prior to March 31, 2022, will be granted to the CEO-designate on the date the Company is listed on the TSX-V. These units will be treated as a share issuance cost, will vest on September 20, 2024, and will be paid in cash. Furthermore, if at any time during the period from the day the Company is listed on the TSX-V until March 31, 2023, the Company issues additional common shares (or securities convertible into, or exchangeable for, common shares) pursuant to any financing transactions or as consideration for the acquisition of any assets or businesses, the Company will further grant to the CEO-designate on each closing date of such transactions, additional Units equal to 7% of common shares issued or issuable pursuant to such financing transaction or acquisition.

6 Subsequent events

On October 22, 2021, the Company granted 288,229 stock options to a Director of the Company. The options are exercisable for a period of 10 years at a price of \$0.45 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period.