



(Formerly EastCoal Inc.)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022



(Formerly EastCoal Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(all tabular amounts in thousands of Canadian dollars)

	Mar. 31, 2022	Dec. 31, 2021
ASSETS		
Current		
Cash	\$ 129	\$ 400
GST receivable	25	17
Prepaid expenses	58	47
Total current assets	212	463
MagIron Option (Note 4)	154	-
TOTAL ASSETS	\$ 366	\$ 463
LIABILITIES		
Current		
Trade and other payables	\$ 383	\$ 254
Accrued liabilities	\$ 344	\$ 289
TOTAL LIABILITIES	727	543
EQUITY		
Share capital (Note 3)	90,996	90,996
Contributed surplus	10,275	10,206
Deficit	(101,632)	(101,282)
TOTAL EQUITY	(361)	(79)
TOTAL LIABILITIES AND EQUITY	\$ 366	\$ 463

Corporate information (Note 1)

On behalf of the Board:

(signed) Abraham Jonker Director

(signed) Lucio Genovese Director

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



(Formerly EastCoal Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(all tabular amounts in thousands of Canadian dollars)

	For the three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Expenses		
Professional consulting fees	(150)	-
General and administrative expenses	(131)	(4)
Share-based compensation	(69)	-
Operating loss	(350)	(4)
Finance expense	-	-
Foreign exchange (loss) gain	-	-
Net finance expense	-	-
Comprehensive loss for the period	\$ (350)	\$ (4)
Net loss per common share		
Basic and diluted	\$(0.02)	\$(0.00)
Weighted average number of common shares outstanding		
Basic and diluted	23,058,319	19,017,915

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



(Formerly EastCoal Inc.)

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

	Share Capital		Contributed Surplus		Deficit	Total Equity
	Number	Amount	Options	Warrants		
Balance – Jan. 1, 2021	19,017,915	\$ 90,646	\$ 9,969	\$ -	\$(100,674)	\$ (59)
Net loss for the period	-	-	-	-	(4)	(4)
Balance – Mar. 30, 2021	19,017,915	\$ 90,646	\$ 9,969	\$ -	\$ (100,678)	\$ (63)
Balance – Jan. 1, 2022	23,058,319	\$ 90,996	\$ 10,058	\$ 149	\$ (101,282)	\$ (79)
Net loss for the period	-	-	-	-	(350)	(350)
Share-based compensation	-	-	69	-	-	69
Balance – Mar.31, 2022	23,058,319	\$ 90,996	\$ 10,127	\$ 149	\$ (101,632)	\$ (361)

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



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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(all tabular amounts in thousands of Canadian dollars)

	For the three months ended	
	Mar. 31, 2022	Mar. 31, 2021
OPERATING ACTIVITIES		
Loss for the period	\$ (350)	\$ (4)
Add items not affecting cash		
Share-based compensation	69	-
Changes in non-cash working capital balances related to operations		
GST receivable	(8)	(1)
Prepaid expenses	(11)	-
Trade and other payables	184	5
Cash used in by operating activities	(117)	-
Investing Activities		
MagIron option payment	(154)	-
Net decrease in cash for the period	(271)	-
Cash, beginning of period	400	3
Cash, end of period	\$ 129	\$ 3

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts in thousands of Canadian dollars)

1 Corporate Information

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 focuses 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.

2 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, 2021. 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 May 27, 2022.

3 Share Capital

Equity

The Company has unlimited authorized common shares with no par value. Total common shares issued and outstanding as at March 31, 2022, numbered 23,058,319.

Stock Options

Share-based compensation expenses recognized in the Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2022, and March 31, 2021, is as follows:

	Mar. 31, 2022	Mar. 31, 2021
	\$	\$
Stock options	(38)	-
Equity incentive units	(31)	-
Total	(69)	-

The Company’s Share Option Plan (the “**Plan**”) was approved by the Company’s shareholders most recently at its annual general and special meeting held September 20, 2021.



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Under the Plan, the Board of Directors may grant options to directors, officers, employees or consultants with the number of outstanding options at any time limited to a maximum of 10% of the number of issued and outstanding common shares. The vesting periods for individual awards of options are determined at the discretion of the Corporate Governance, Compensation and Nominating Committee.

The weighted average fair value per option granted during the three months ended March 31, 2022, was nil (March 31, 2021: nil). As at March 31, 2022, there was \$1,363k of share-based compensation expense (March 31, 2021: nil) relating to the Company's unvested stock options to be recognized in future periods.

For the three months ended March 31, 2022, stock-based compensation expense relating to the vesting of stock options, was \$38k.

A summary of option activity under the Plan during the three months ended as at March 31, 2022, and December 31, 2021, is as follows:

	Number of options #	Weighted average exercise price \$
Balance – December 31, 2021	1,441,145	0.33
Granted	-	-
Exercised	-	-
Expired	-	-
Balance – March 31, 2022	1,441,145	0.33

The number of options outstanding as at March 31, 2022, by issue date is shown in the following table:

Date of Grant	Expiry Date	Options Outstanding			Options Exercisable
		Number Outstanding #	Exercise Price \$	Remaining life (years)	Number outstanding #
September 24, 2021	September 24, 2031	1,152,916	0.30	9.48	Nil
October 8, 2021	October 8, 2031	288,229	0.45	9.52	Nil
		1,441,145	0.33	9.49	Nil

As at March 31, 2022, 1,441,145 stock options were outstanding, with nil options vested.



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts in thousands of Canadian dollars)

Warrants

As at March 31, 2022, 4,040,404 Warrants were outstanding, with 4,040,404 shares issuable upon exercise of warrants. Each Warrant entitles the holder to acquire one Share at a price of \$0.165 for a period of 12 months from the date of issuance which was September 7, 2021.

4 MagIron Option

The Company has entered into an exclusivity agreement with US based MagIron LLC on January 27, 2022. Under the Exclusivity Agreement, CoTec has been given the exclusive right to negotiate a potential investment in MagIron for a specified period ending on March 31, 2022, for US\$120k. This payment was made on January 28, 2022, at an exchange rate of 1.28415 which resulted in \$154k Canadian dollars being capitalized to the balance sheet. If the proposed transaction is completed, the exclusivity payment shall be credited against the amount of CoTec's investment in the company pursuant to the proposed transaction.

If CoTec and MagIron have not entered into a definitive agreement with respect to the potential investment in MagIron by March 31, 2022, the exclusivity period will be extended beyond March 31, 2022, for a successive ten-day period until such time CoTec and MagIron enter into a definitive agreement with respect to the potential investment, or both companies are no longer working in good faith to complete the potential investment.

5 Related party transactions

All related party transactions were incurred in the normal course of operations and are recorded at the amount agreed upon by the related parties.

Compensation of Key Management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has identified the Chief Executive Officer and Chief Financial Officer as its key management personnel. The remuneration of key management is determined by the compensation committee of the Board of Directors. The consulting fees and other compensation of key management personnel were as follows for the three months ended March 31, 2022, and March 31, 2021:

	Mar. 31, 2022	Mar. 31, 2021
	\$	\$
Short-term salaries and benefits	-	-
Share-based compensation	61	-
Total	61	-



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts in thousands of Canadian dollars)

Other Related Party Transactions

As at March 31, 2022, a total of \$159k was payable to Directors and an Officer for expenses paid on behalf of the Company which is included in trade and other payables. Included in this balance, \$15k was payable to a former Officer, and \$144k was payable to Directors. It was agreed that \$72k of the \$144k loan will be repaid through any subsequent equity raise post the Proposed Change of Business ("**COB**"). No agreed terms were stipulated for the \$15k and remaining \$72k loans.

On August 11, 2021, 2,305,831 equity incentive units (the "**Units**") were granted to the CEO-designate 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 conditions, 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. For the three months ended March 31, 2022, \$31k 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 \$200k subject to the Company being listed on the TSX-V. The Company has accrued \$200k related to the aforementioned bonus on the estimated probability of the required event occurring as at December 31, 2021, and remains in accrued liabilities as at March 31, 2022. 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, 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 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.



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts in thousands of Canadian dollars)

The Company also awarded the Chairman a cash bonus of \$50k subject to the Company being listed on the TSX-V. The Company has accrued \$50k related to the aforementioned bonus on the estimated probability of the required event occurring as at December 31, 2021, and remains in accrued liabilities as at March 31, 2022. In addition, Units in the amount of 1.75% of the new common shares issued for the private placement in connection with the transition to the TSX-V, will be granted to the Chairman 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. The Units will have the same terms and conditions as set out above and require that the Chairman remain engaged with the Company until its vesting date.

Subject to the Company being listed on the TSX-V, the Company will issue the Chairman Units equal to 1.75% of the number of Common Shares issued pursuant to the Financing. The Units will vest and be settled on the earlier of (i) September 30, 2024, provided that the 30-day volume weighted average trading price of the Common Shares as of that date on the principal stock exchange on which they are then traded is at least \$0.50 and (ii) the date on which the Company completes a change of control transaction, provided in either case that the Chairman continues to be a member of the Board as of the vesting date. Subject to vesting, the Company will, no later than 10 days after the vesting date in respect of every Unit, deliver to the Chairman, in its discretion, either (i) one Common Share (which will not be issued from treasury but rather would be purchased by or on behalf of the Company over the facilities of the primary stock exchange on which the Common Shares are listed) or (ii) a cash payment equal to the volume weighted average closing price of the Common Shares on the primary stock exchange on which the Common Shares are then listed for the five trading days immediately preceding the vesting date or, if the Common Shares are not listed and posted for trading on any stock exchange, the fair market value of the Common Shares as determined by the board of directors of the Company in its sole discretion.

Subject to the Company being listed on the TSX-V, the Company will also grant the Chairman additional options on the date on which the Company is listed on the TSX-V so that, as of that date, he will hold options to purchase a total number of Common Shares equal to 1.25% of the Company's issued and outstanding Common Shares as of the date on which the Company is listed on the TSX-V. All additional options granted will have an exercise price equal to the most recent closing price of the Common Shares as of the date of grant, a term of 10 years and will be subject to vesting over three years, with 1/3 of each option grant vesting each year subject to your continued employment with or engagement by the Company.

For the transactions noted above in connection with the Company being listed on the TSX-V, please refer to the Subsequent Events notes as the Company has officially been granted approval from the TSX-V.



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6 Subsequent events

Private Placement

On February 10, 2022, the Company completed an initial closing of a brokered and non-brokered private placement in connection to its Proposed COB. Pursuant to this initial closing, the Company issued a total of 6,646,398 subscription receipts at a price of \$0.55 per subscription receipt for gross proceeds of \$3,655,519.

On April 5, 2022, the Company completed a second and final closing of the brokered and non-brokered private placement in connection to its Proposed COB. Pursuant to this second closing, the Company issued a total of 4,744,195 subscription receipts at a price of \$0.55 per subscription receipt for gross proceeds of \$2,609,310.

When the placements are combined, the Corporation issued an aggregate of 11,390,593 subscription receipts pursuant to the Private Placement for gross proceeds of \$6,264,829.

Pursuant to the Subscription Receipt Agreement, each Subscription Receipt will be automatically exchanged for one unit of the Company ("**Unit**"), for no additional consideration or action on the part of the holder, upon the satisfaction of certain escrow release conditions in connection with the Proposed COB, including the satisfaction or waiver of all conditions precedent to the completion of the investments proposed to be completed by the Corporation as part of the Proposed COB Transaction having been satisfied or waived (the "**Escrow Release Conditions**"). The proceeds of the initial closing of the Private Placement were being held in escrow pending the satisfaction of the Escrow Release Conditions. If the Proposed COB was not completed within 90 days of the final closing of the Private Placement, the Subscription Receipts would have been deemed cancelled and the holders of Subscription Receipts would have received an amount equal to the aggregate Subscription Price of their Subscription Receipts and the interest earned, if any, on such Subscription Price.

Following completion of the Proposed COB on April 14, 2022, each subscription receipt was automatically exchanged for one Unit. Each Unit consists of one common share of the Company (a "**Common Share**") and one common share purchase warrant of the Corporation (each whole warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.75 for a period of 12 months from the date of issuance.

In connection with the Private Placement and pursuant to existing agreements with the CEO-designate and Board Chairman (refer to section 6 Transactions with Related Parties), additional stock options and equity incentive units ("**Units**") were granted and issued. In total, 711,912 stock options were granted and issued on April 19, 2022, at an exercise price of \$0.64 and expiry of April 19, 2032. In addition, 797,342 Units were granted and issued on April 19, 2022.

Furthermore, an additional 50,000 options were granted and issued to each of the former CEO and CFO of the Company on April 19, 2022, at an exercise price of \$0.64 and expiry of October 19, 2022.



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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TSX-V Approval of Proposed COB

On April 4, 2022, the Company received conditional approval of its Proposed COB from the TSX-V and final approval to file its filing statement on SEDAR was obtained on April 6, 2022. The Proposed COB was completed on April 14, 2022, and the Company's shares resumed trading on April 19, 2022.

Binding Solutions Limited ("BSL") Initial Investment

BSL is a UK based company governed by the laws of England and Wales that has developed a proprietary cold agglomeration technology for the production of high-quality clean pellets from primary materials, waste dumps, and stockpiles.

Pursuant to the terms of a subscription agreement between the Company and BSL dated December 10, 2021, as amended (the "**BSL Subscription Agreement**"), the Company has agreed to subscribe for a minimum of US\$3.0 million and a maximum of US\$4.0 million, to be funded in two tranches as follows:

- an initial investment of US\$2.0m; and
- a subsequent investment of between US\$1.0m and US\$2.0m, with the amount determined by the Company, to be completed within six months of the date of the initial investment (or such later date as BSL and the Company may agree).

Pursuant to the BSL Subscription Agreement, BSL has made a number of customary representations and warranties to the Company with respect to BSL and its business and has agreed to indemnify the Company against any losses the Company may incur as a result of any inaccuracies of BSL's representations and warranties, subject to certain limits. On April 13, 2022, the Company completed its initial investment of US\$2m, or approximately 2% of the outstanding shares of BSL.

The Company's obligation to complete the subsequent investment in BSL is subject to the following conditions, each of which may be waived by the Company in its sole discretion:

- the Company having completed one or more financing transactions for gross proceeds of not less than CAD\$12 million;
- BSL's representations and warranties set out in the subscription agreement continuing to be true and correct in all material respects;
- BSL having performed all of its obligations under the subscription agreement; and
- the absence of any material adverse change to BSL, its subsidiaries or their respective business or operations since the date of the subscription agreement.



(Formerly EastCoal Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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In addition, on April 11, 2022, the Company and BSL entered into an investment agreement pursuant to which the Company received the exclusive right to apply BSL's pelletization technology to ferroalloy and slag waste projects in Canada, Germany, Austria and the Netherlands for a period of 36 months from the date of the investment agreement. Such application would be via one or more joint venture entities that would initially be owned 50/50 by CoTec and BSL and on terms and conditions set out in the investment agreement.

MagIron LLC Initial Investment

On May 15, 2022, CoTec entered into an agreement to acquire a 15.8% equity interest in MagIron LLC ("MagIron") for a US\$2 million. This transaction completed on May 16, 2022, when the Company transferred to MagIron US\$2 million, or CA\$2.6 million at a USD-CAD exchange rate of 1.2910. MagIron is a U.S. based company that is in the process of acquiring a green iron ore project that it intends to refurbish and bring back into production. The investment includes terms customary for an investment of this nature, including Board representation subject to CoTec maintaining a 10% equity interest.