

Consolidated Tanager Limited

December 31, 2018
(Unaudited)

Consolidated Tanager Limited

Condensed Interim Financial Statements

For the three and six months ended December 31, 2018

(Unaudited)
(Expressed in Canadian \$)

Consolidated Tanager Limited

December 31, 2018
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(1), if an auditor has not performed a review of the condensed interim consolidated 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 Consolidated Tanager Limited (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.

C.A. Burns
President and Chief Executive Officer

C. F. Watson
Secretary-Treasurer

Dated: February 26, 2019
Toronto, Canada

Consolidated Tanager Limited

Condensed Interim Statements of Financial Position
(unaudited)

		As at 31-Dec 2018	As at June 30, 2018
Assets			
Current assets			
Cash and cash equivalents	(note 2)	2,014,130	2,439,839
Short term investments		790,000	790,000
Marketable securities		1,083,013	1,261,970
Accounts receivable		19,791	18,570
Income taxes recoverable		27,254	-
Prepaid expenses		10,582	11,054
Total current assets		3,944,770	4,521,433
Mining properties	(note 4)	2	2
Total assets		3,944,772	4,521,435
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(note 5)	33,042	53,967
Income taxes payable		-	32,000
Total current liabilities		33,042	85,967
Equity			
Share capital	(note 6)	507,501	507,501
Contributed surplus		339,878	339,878
Accumulated other comprehensive income (loss)		(62,755)	116,202
Retained earnings		3,127,106	3,471,887
Total equity		3,911,730	4,435,468
Total liabilities and equity		3,944,772	4,521,435

The notes to the unaudited condensed interim financial statements are an integral part of these statements

APPROVED ON BEHALF OF THE BOARD on February 26, 2019

(signed) "C.A. Burns"

C.A. Burns

(signed) "C.F. Watson"

C.F. Watson

Consolidated Tanager Limited

Condensed Interim Statement of Changes in Equity
(unaudited)

	Reserves				Total
	Share Capital	Contributed Suplus	Accumulated Other Comprehensive Loss	Retained Earnings	
Balance, July 1, 2017	507,501	339,878	89,326	3,837,887	4,774,592
Net income (loss) for the period				(50,606)	(29,305)
Dividends paid				(268,618)	(268,618)
		(note 6)			
Balance, September 30, 2017	507,501	339,878	89,326	3,518,663	4,455,368
Dividends paid				(268,777)	(268,618)
Unrealized gain on marketable securities			26,876	-	26,876
Net income (loss) for the period				222,001	222,001
Balance, June 30, 2018	507,501	339,878	116,202	3,471,887	4,435,627
Net income (loss) for the period				(20,889)	(20,889)
Unrealized loss on marketable securities			(52,377)		(52,377)
Dividends paid				(268,618)	(268,618)
		(note 6)			
Balance, September 30, 2018	507,501	339,878	63,825	3,182,380	4,093,743

The notes to the unaudited condensed interim financial statements are an integral part of these statements

Consolidated Tanager Limited

Condensed Interim Statements of Comprehensive Income

For the three month periods ended December 31

(unaudited)

	3 mos Dec 31 2018	3 mos Dec 31 2017	6 mos Dec 31 2018	6 mos Dec 31 2017
Income				
Interest & dividends	19,503	13,385	31,363	18,197
Total income	19,503	13,385	31,363	18,197
Expenses				
General corporate (note 5)	25,297	39,058	63,151	66,523
Professional services	10,217	12,165	21,647	32,337
Property maintenance	4,878	15,023	22,728	22,804
Total expenses	40,392	66,246	107,526	121,664
Net (Loss) income before unrealized loss	(20,889)	(52,861)	(76,163)	(103,467)
Unrealized loss on marketable securities	(126,580)	33,570	(178,957)	33,570
Comprehensive loss for the period	(147,469)	(19,291)	(255,120)	(69,897)
Basic and diluted loss per share	(0.027)	(0.004)	(0.047)	(0.013)
Weighted average number of shares	5372350	5372350	5372350	5372350

Consolidated Tanager Limited

Condensed Interim Statements of Cash Flows
For the six month periods ended December 31
(unaudited)

	2018	2017
Cash flow from operating activities		
Net loss for the period	(76,163)	(103,467)
Item not affecting cash and cas equivalents		
Unrealized gain (loss) on marketable securities	(178,957)	33,570
Changes in net working capital		
Accounts receivable	(1,221)	778
Prepaid expenses	472	(4,775)
Income taxes payable	(59,254)	(135,107)
Accounts payable and accrued liabilities	(20,925)	(10,308)
Net cash used in operating activities	(336,048)	(219,309)
Cash flow from investing activities		
Unrealized (gain) loss in marketable securities	178,957	(33,570)
Purchase of marketable securities	-	(1,004,094)
Net cash used in investing activities	178,957	(1,037,664)
Cash flow from financing activities		
Payment of dividends	(268,618)	(268,618)
Increase (decrease) in cash	(425,709)	(1,525,591)
Cash, beginning of period	2,439,839	4,689,354
Cash, end of period	2,014,130	3,163,763

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Consolidated Tanager Limited

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1. Business of the Company

Consolidated Tanager Limited (the "Company") is incorporated under the Business Corporation Act of Ontario with a registered address at 23 Tanager Avenue, Toronto, Ontario. The Company holds resource properties, some of which have exploration carried out on them. The Company seeks partners to carry out further exploration or to sell or farm them out.

2. Significant Accounting Policies

Statement of Compliance with International Financial Reporting Standards ("IFRS")

The Company has prepared these condensed interim financial statements in compliance with International Account Standard 34 – Interim Financial Reporting ("IAS 34").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of significance are the estimates and assumptions used in the recognition and measurement of items included in Significant accounting judgments and estimates below.

Short-term investments

Short-term investments consist of guaranteed investment certificates ("GIC's) that have maturities of one year or less, and units in money market mutual funds. Short-term investments are valued at cost plus accrued interest, which approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of December 31, 2018, and June 30, 2018 the Company had \$2,014,130 and \$2,439,839 respectively of cash equivalents in the form of flexible and redeemable guaranteed investment certificates.

Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence. The equity securities are designated as Fair Value through Other comprehensive Income and measured at fair value. Unrealized gains and losses due to period end revaluation to fair value are recorded as other comprehensive income or loss.

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(Unaudited)

Revenue recognition

Revenue consists of dividends from marketable securities and interest income from two sources: cash and cash equivalents investments which is recognized on an accrual basis as earned; and from the extension of the option on the Alberta coal property, which is recognized on the basis of receipt.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions as at December 31, 2018, and June 30, 2018.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Income (Loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

Significant accounting judgments and estimates

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

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These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Segment reporting

The Company operates in a single reportable operating segment in the coal and non-ferrous mining properties.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are *not* limited to, the following:

- The recoverability of amounts receivable and prepayments included in the condensed interim statements of financial position;
- Management's position that there is no income tax provision required within these condensed interim financial statements.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

3. Change in accounting policy

The Company's accounting policies will typically change only when there is a change in IFRS. Effective July 1, 2018 the Company has adopted IFRS9 which uses a single approach to determine whether a financial asset is measured at amortized cost of fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is generally based on how an entity manages its financial assets in the context of its business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income or loss. Impairment of financial assets are determined using a single impairment model that requires entities to recognize expected credit losses without requiring a triggering event to occur. The new impairment model applies to financial assets measured at amortized cost or fair value through other comprehensive income, except for equity instruments. IFRS 9 largely retains the existing requirements under IAS 39 for the classification and measurement of financial liabilities.

This standard has been applied retrospectively using the available transitional provisions that allow an entity not to restate comparative period information. There was no impact on (opening) retained earnings as at July 1, 2018.

The Company has applied the irrevocable option for each of our equity investments resulting in measurement of gains and losses in other comprehensive income or loss.

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We have assessed the classification and measurement of our financial statement under IFRS 9, with reference to the former classification under IAS39, as follows:

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through profit and loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

4. Short Term Investments

At December 31, 2018 and June 30, 2018, the Company had \$790,000 of short-term investments

5. Marketable Securities

The following is a summary of the Company's marketable Securities:

	Market Value December 31, 2018	# of shares	Market Value June 30, 2018	# of shares
Equity Securities –				
Taranis Resources Inc.	\$ 158,400	2,200,000	\$ 231,000	2,200,000
Bank of Nova Scotia	279,686	4,110	305,948	4,110
Royal Bank of Canada	325,171	3,480	344,486	3,480
Toronto Dominion Bank	<u>319,756</u>	4,712	<u>358,536</u>	4,712
	\$1,083,013		\$1,261,970	

6. Mining Properties

The Company's investments in the following properties were each written down to \$1 in a prior year.

Timmins Area of Ontario

The Company owns 88 patented mining claims in the Timmins area. On 8 additional claims it holds a production royalty, adjusted for a gold price variance from U.S. \$350 per ounce, on rock treated in excess of the first 50,000 tons processed.

Hinton Coal Property of Alberta

The Hinton Coal property comprises 5 Alberta Crown coal mining leases located by the main line of the C.N.R. near Hinton. The property contains a deposit of low-sulphur thermal coal. In 2009, the Company entered into an agreement with KC Euroholdings

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S.a.r.l. ("KCE") to transfer the rights of the Hinton Coal property to KCE in consideration for three scheduled cash payments and the reservation of a 1.0% of Sales Revenue royalty on all future coal sales from the property. An initial cash payment of \$2,000,000 was received by the Company on execution of the agreement. In accordance with the agreement, and upon completion of a favourable feasibility study during in 2012, the Company received a second cash payment of \$6,000,000. The Company was entitled to receive a further payment of \$10,000,000 on or before the earlier of February 19, 2016 or on the placing of the property into commercial production at a rate of at least 90,000 tonnes per month. The contract terms were such that should this final payment not be made ownership of the property is retained by the Company. The agreement technically expired as of March 31, 2016, however, the Company entered into a further agreement extends KCE's option to acquire 100% working interest in Tanager's five coal leases until March 31, 2023. In accordance with this agreement Tanager received \$800,000 during the fiscal year ended June 30, 2017 to maintain the option for both 2016 and 2017, and an additional \$400,000 was received on March 31, 2018 to maintain the option for 2018.

KCE has made significant progress on the property in preparation for mining coal. Once KCE commences production and they have produced, sold and delivered its 500,000th clean tonne, the payment of \$10,000,000 will be due to Consolidated Tanager. In addition, KCE has agreed to pay a royalty of 1% of the total sales generated from the sale of the coal.

7. Related Party Transactions

The Company incurred expenses of \$20,000 in management fees in the six months to December 31, 2018 (2017 - \$20,000) to the President for services provided to the Company. This expense is included in general corporate expenses.

The Company incurred expenses of \$7,500 for administrative services in the six months to 2018 (2017 - \$7,500) to the Secretary Treasurer for services provided to the Company. These expenses are included in professional services.

The Company incurred expenses of \$2,000 for legal services in the six months to December 31, 2018 (2017 \$1,650) to a legal firm in which a director of the Company was a partner. These expenses are included in professional services.

The Company incurred expenses of \$863 for professional consulting fees in the six months to December 31, 2018 (2017 - \$2,325) to a director. These expenses are included in professional fees.

In total, directors were paid \$24,000 for directors' fees in the six months ended December 31, 2018 (2017 - \$14,000).

The related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

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8. Share Capital Authorized

As of December 31, 2018, and June 30, 2018, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

	Number of Common Shares	Amount
Balance, December 31, 2018, June 30, 2018	5,372,350	\$ 507,501

On May 14, 2018 the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,618. The dividend was paid August 29, 2018 to all shareholders of record as at the close of business August 15, 2018.

On December 12, 2017, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,618. The dividend was paid on March 1, 2018 to all shareholders of record as at the close of business February 15, 2018.

On July 24, 2017 the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,618. The dividend was paid August 29, 2017 to all shareholders of record as at the close of business August 15, 2017.

9. Stock Options

Pursuant to the Company's stock option plan ("the Plan") the company has reserved and set aside up to 500,000 common shares for the granting of options to directors and officers. The terms of the awards under the Plan are determined by the Board of Directors.

As of December 31, 2018, and June 30, 2018 the Company did not have any stock options outstanding.

10. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide a return to shareholders, benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it, based upon funds available to the Company or in response to changes in economic conditions and the risk characteristics of the underlying assets.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the period ended December 31, 2018.

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11. Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and short-term investments. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. As of December 31, 2018, and June 30, 2018 cash exceeded the Company's financial liabilities.

Market Risk

Interest rate risk - The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances. The Company's policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

Commodity price risk - The Company is exposed to price risk with respect to commodities. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices related to coal to determine the appropriate course of action to be taken by the Company.

12. Subsequent Event

On February 20, 2019, the Company received \$400,000 (annual interest payment) from KCE, as described in note 6.