Consolidated Tanager Limited

Financial Statements

(Stated in Canadian Dollars)

June 30, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Consolidated Tanager:

Opinion

We have audited the financial statements of Consolidated Tanager (the "Company"), which comprise the statements of financial position as at June 30, 2022 and June 30, 2021, and the statements of income and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and June 30, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

September 28, 2022 | Licensed Public Accountants

Statements of Financial Position
June 30, 2022 and 2021

		2022		2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**4,117,457**	$	5,057,527
Short-term investments		**2,087,099**		498,234
Marketable securities *(note 7)*		**4,074,533**		3,435,916
Royalties receivable *(note 4)*		**-**		69,989
Interest receivable on property rights *(note 4)*		**-**		442,109
Property rights receivable *(note 4)*		**-**		1,250,000
Income taxes receivable		**53,894**		49,296
Amounts receivable		**22,795**		4,434
Prepaid expenses		**7,759**		26,783
		10,363,537		10,834,288
Mining properties *(note 4)*		**2**		2
Total Assets	**$**	**10,363,539**	$	10,834,290
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**39,790**	$	31,260
Dividends payable *(note 6)*		**155,334**		20,649
		195,124		51,909
Non-current liabilities				
Deferred tax liability *(note 8)*		**19,601**		35,010
		214,725		86,919
Equity				
Share capital *(note 6)*		**507,501**		507,501
Contributed surplus		**339,878**		339,878
Accumulated other comprehensive income		**171,676**		382,759
Retained earnings		**9,129,759**		9,517,233
		10,148,814		10,747,371
Total Liabilities and Equity	**$**	**10,363,539**	$	10,834,290

The accompanying notes are an integral part of these financial statements.
Subsequent events (note 12)
Approved by the Board

Signed: **"E. Clifton"**
Director

Signed: ***"C. F. Watson"***
Director

Statements of Changes in Equity
for the years ended June 30, 2022 and 2021

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, June 30, 2020	**$ 507,501**	**$ 339,878**	**$ (132,826)**	**$ 10,431,667**	**$ 11,146,220**
Dividends paid	-	-	-	(1,208,782)	(1,208,782)
Unrealized gain on marketable securities	-	-	515,585	-	515,585
Net income for the year	-	-	-	294,348	294,348
Balance, June 30, 2021	**507,501**	**339,878**	**382,759**	**9,517,233**	**10,747,371**
Dividends paid	-	-	-	(940,165)	(940,165)
Unrealized loss on marketable securities	-	-	(211,083)	-	(211,083)
Net income for the year	-	-	-	351,919	351,919
Realized gain on sale of marketable securities	-	-	-	200,772	200,772
Balance, June 30, 2022	**$ 507,501**	**$ 339,878**	**$ 171,676**	**$ 9,129,759**	**$ 10,148,814**

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

Statements of Operations and Comprehensive Income
for the years ended June 30, 2022 and 2021

	2022	2021
Income		
Gain on sale of property	**$ 20,000**	$ -
Interest income on property rights	**24,863**	125,156
Royalty income	**283,394**	434,317
Investment income	**262,689**	132,326
	590,946	691,799
Expenses		
General corporate *(notes 5 and 9)*	**158,195**	147,328
Property maintenance	**40,038**	58,383
	198,233	205,711
Income before income taxes	**392,713**	486,088
Income taxes		
Current tax expense (*note 8*)	**56,203**	156,730
Deferred tax (recovery) expense *(note 8)*	**(15,409)**	35,010
	40,794	191,740
Net income before other comprehensive income	**351,919**	294,348
Items not reclassified to net income:		
Unrealized gain (loss) on marketable securities	**(211,083)**	515,585
Realized gain on sale of marketable securities	**200,772**	-
Comprehensive income for the year	**$ 341,608**	$ 809,933
Basic and diluted net income per common share	**$ 0.07**	$ 0.06
Weighted average number of common shares outstanding - basic and diluted	**5,372,350**	5,372,350

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

Statements of Cash Flows
for the years ended June 30, 2022 and 2021

		2022		2021
Cash flow from operating activities				
Net income	**$**	**351,919**	$	294,348
Changes in net working capital:				
Interest on property rights receivable		**442,109**		(125,156)
Royalties receivable		**69,989**		219,762
Income taxes receivable		**(4,598)**		(49,296)
Property rights receivable		**1,250,000**		3,750,000
Amounts receivable		**(18,361)**		8,993
Prepaid expenses		**19,024**		(12,635)
Accounts payable, and accrued liabilities		**8,531**		(3,281)
Dividends payable		**134,685**		-
Non-cash items other than working capital				
Income taxes payable		**-**		(2,807,720)
Deferred taxes payable		**(15,409)**		35,010
		2,237,889		1,310,025
Cash flow from investing activities				
Purchase of marketable securities		**(648,929)**		(1,907,389)
(Purchase)/Redemption of GIC		**(1,588,865)**		389,648
		(2,237,794)		(1,517,741)
Cash used in financing activity				
Dividends paid		**(940,165)**		(1,208,782)
Decrease in cash and cash equivalents		**(940,070)**		(1,416,498)
Cash and cash equivalents, beginning of year		**5,057,527**		6,474,025
Cash and cash equivalents, end of year	**$**	**4,117,457**	$	5,057,527

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

1. Business of the Company

Consolidated Tanager Limited (the "Company" or "Tanager") is incorporated under the Business Corporation Act of Ontario with a registered address at Suite 331 1900 Bayview, 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

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations set by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, (“IFRIC”)).

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

Basis of presentation

These financial statements have been prepared by management on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The functional and presentation currency for these financial statements is the Canadian dollar.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on September 28, 2022.

Significant accounting judgments and estimates

The preparation of these 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 the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

2. Significant Accounting Policies - continued

Financial instruments

IFRS 9 - Financial instruments (“IFRS 9”) includes requirements and guidance for classification, recognition and measurement, impairment, de-recognition and general hedge accounting.

Financial assets

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: at fair value through profit or loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (“FVOCI”). The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income (“FVOCI”). Gains or losses on these items are recognized in statements of operations and comprehensive income.

The Company’s short-term investments are classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other definitive evidence is received that a specific counterparty will default.

The Company’s cash and cash equivalents, royalties receivable, interest receivable on property rights, property rights receivable, and accounts receivables, excluding HST, are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the market price of the underlying securities.

The Company’s marketable securities are classified as financial assets measured at FVTOCI.

Financial liabilities

All financial liabilities are recognized initially at fair value and in the case of loans and borrowing, net of directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

2. Significant Accounting Policies - continued

Financial instruments – continued

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective yield basis is a method of calculating the unamortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments over the expected life of the financial liability to the net carrying amount on initial recognition. The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

The Company's accounts payable and accrued liabilities approximate their amortized costs.

ii. Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they do not fall into amortized cost detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through statement of operation and comprehensive income, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statements of operations and comprehensive income. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

De-recognition of financial liability

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations and comprehensive income.

Expected credit loss impairment model

IFRS 9 includes a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The Company recognizes expected credit loss for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

2. Significant Accounting Policies – continued

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2022, and 2021, short-term investments and marketable securities - equity securities were measured at fair value and were classified within Level 1 of the fair value hierarchy.

Cash and cash equivalents

Cash and cash equivalents in the statements 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 June 30, 2022 and 2021 the Company had $4,117,457 and $5,057,527 respectively of cash and cash equivalents in the form of flexible cash and redeemable guaranteed investment certificates.

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.

Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Investments in equity instruments are subsequently measured at fair value through other comprehensive income. Equity instruments that are not held for trading can be irrevocably designated as fair value through other comprehensive income on initial recognition without subsequent reclassification to net income (loss). Cumulative gains and losses are transferred from accumulated other comprehensive income to retained earnings upon derecognition of the investment.

Notes to the Financial Statements
June 30, 2022 and 2021

2. Significant Accounting Policies - continued

Revenue recognition

The Company recognizes revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Company uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular obligation is transferred to the customer.

Revenue consists of interest income from investments which is recognized on an accrual basis as earned. Royalties, dividends from investments, sale of mineral interests, and other revenues are recognized as revenue on an accrual basis as earned, consistent with revenue from interest income from investments.

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 benefits expected 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 at June 30, 2022 and 2021.

Notes to the Financial Statements
June 30, 2022 and 2021

2. Significant Accounting Policies - continued

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 they relate to items recognized directly in equity or other comprehensive loss.

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 per share

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

Segment reporting

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

3. COVID-19

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian federal, provincial, and municipal governments regarding travel, business operations, and isolations/quarantine orders.

While the Company has not experienced any material impact on its ability to conduct operations, it is unknown the extent of the future impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are uncertain and that cannot be predicted with confidence. While the extent of the impact is unknown, we anticipate that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

4. Mining Properties

The investments in the following properties were written down to $2 in a prior year.

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 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 terms, and upon completion of a favourable feasibility study in 2012, the Company received a second cash payment of $6,000,000. The Company was entitled to receive a third and final payment of $10,000,000 on or before the earlier of February 19, 2016 or on placing of the property into commercial production at a rate of at least 90,000 tonnes per month. The contract terms were such that if this final payment was not made, the rights to the property would continue to be retained by the Company. The agreement technically expired as of March 31, 2016, however, the Company entered into a further agreement with KCE in consideration for $400,000 per annum payable by KCE to the Company that 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 2017 to maintain the option for both 2016 and 2017. In the prior year the Company received an additional $400,000 to maintain the option for 2018 and 2019.

Coalspur Mines (Operations) Ltd. commenced mining and shipping coal in June 2019. The Company was informed on October 31, 2019, that KCE had produced, sold and delivered to rail its 500,000th clean tonne and this milestone event lead to triggering a payment of $10,000,000 due to the Company.

An Amended and Restated Transfer of Leases Agreement was signed between Coalspur and the Company which agreed to the quarterly payment ($2,500,000) of the $10,000,000 commencing March 31, 2020 and finishing no later than December 31, 2020. In addition, interest, beginning on November 9, 2019 will accrue and compound quarterly, at the rate per annum equal to the CIBC Prime Rate plus 2.00% on the unpaid balance and will be paid no later than December 31, 2020. The first and second quarterly payments of $2,500,000 each were received in a prior fiscal year and were reflected in the statements of financial position at June 30, 2020. The third quarterly payment of $2,500,000 was received September 25, 2020.

Coalspur has paid the royalty of 1% of the total sales generated from the sale of coal to June 30, 2022.

A Second Amended and Restated Transfer of Leases Agreement was signed on January 13, 2021 between Coalspur and the Company which agreed to spread the final quarterly payment of December 31, 2020 in the amount of $2,500,000 to be deferred and paid in quarterly installments of $625,000 each, (with all Payment Plan Interest accruing being paid with the final $625,000 installment payment) no later than December 31, 2020, March 31, 2021; June 30, 2021 and September 30, 2021.

A Third Amended and Restated Transfer of Leases Agreement was signed on April 6, 2021 between Coalspur and the Company to spread the final three payments of $625,000 that were due under the Second Amendment to be paid not later than the close of business on June 30, 2021, September 30, 2021 and December 31, 2021. All payments have been received and the milestone obligation of $10,000,000 has been fully paid by Coalspur.

Upon receipt of the final payment, which occurred in the fiscal year ended June 30, 2022 the Company no longer holds an interest in the Hinton Coal Property of Alberta with the exception of the 1% royalty on total sales generated from the sale of coal.

4. Mining Properties - continued

Timmins Area of Ontario

The Company owns 87 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. In 2004, 2 of the patented claims and 1 license of occupation were sold for $200,000 of which an irrevocable payment of $50,000 was received prior to June 30, 2003. Commencing April 1, 2004, the agreement of sale also provided for minimum annual advance royalty payments in the amount of $70,000 plus a 3% annual escalation clause for an additional period of 9 years. The agreement expired at the end of 2013.

5. Related Party Transactions and Balances

The Company incurred expenses of $18,000 for the year ended June 30, 2022 (2021 - $16,000) to the Chief Financial Officer for accounting, administrative and secretarial services rendered. These expenses are included in general corporate expenses.

The Company incurred expenses of $1,875 for professional consulting fees for the year ended June 30, 2022 (2021 - $4,012) to a director. These expenses are included in general corporate expenses.

The Company incurred Directors’ fees of $32,500 for the year ended June 30, 2022 (2021 - $25,000). These expenses are included in general corporate expenses.

All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

6. Share Capital

Authorized

As of June 30, 2022, and 2021, 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.

Issued

	Number		Amount
Balance, June 30, 2022 and 2021	**5,372,350**	**$**	**507,501**

Unclaimed

On October 7, 2020, the Company declared a special eligible dividend of $0.15 per issued and outstanding common share for a total of $805,853. The dividend was paid December 4, 2020 to all shareholders of record as of the close of business on November 13, 2020.

On April 9, 2021, the Company declared a special eligible dividend of $0.075 per issued and outstanding common share for a total of $402,930. The dividend was paid June 1, 2021 to all shareholders of record as of the close of business on May 15, 2021.

On October 18, 2021 the Company declared a special eligible dividend of $0.075 per issued and outstanding common share for a total of $402,930. The dividend was paid December 3, 2021 to all shareholders of record as of the close of business on November 12, 2021.

On May 3, 2022 the Company declared a special eligible dividend of $0.10 per issued and outstanding common share for a total of $537,236. The dividend was paid June 15, 2022 to all shareholders of record as of the close of business on May 20, 2022.

As of June 30, 2022, the Company has received $155,334 (2021 - $20,649) from its transfer agent with respect to unclaimed dividends from prior dividend declarations.

As of June 30, 2022, and 2021 there were no options or warrants outstanding.

Notes to the Financial Statements
June 30, 2022 and 2021

7. Marketable Securities

The following is a summary of the fair value of the Company's marketable securities:

		2022	**Number**		2021	Number
Equity Securities -						
Superior Plus Corporation	**$**	**228,219**	20,000	**$**	-	-
Whitecap Resources Inc.		**223,500**	25,000		-	-
Hamilton Enhanced Canadian Bank ETF		**323,850**	15,000		-	-
TD Global Technology Leaders Index ETF		**210,400**	10,000		-	-
Exchange Income Corporation		**210,700**	5,000		-	-
Taranis Resources Inc.		**363,000**	2,200,000		**198,000**	2,200,000
Bank of Nova Scotia		**313,100**	4,110		**331,348**	4,110
Royal Bank of Canada		**433,747**	3,480		**437,053**	3,480
Toronto Dominion Bank		**397,740**	4,712		**409,331**	4,712
BCE Inc.		**143,939**	2,275		**278,142**	4,550
CI Financial Corporation		**170,875**	12,500		**227,500**	10,000
Dream Industrial REIT		**211,400**	17,500		**267,400**	17,500
Enbridge Inc.		**152,915**	2,813		**279,169**	5,625
Manulife Financial Corporation		**117,180**	5,250		**256,200**	10,500
Northwest Healthcare Properties Real Estate Investment Trust		**211,050**	17,500		**222,775**	17,500
Pembina Pipeline Corporation		**147,875**	3,250		**256,035**	6,500
TC Energy Corporation		**215,043**	3,225		**272,963**	4,450
	$	**4,074,533**		$	**3,435,916**	

8. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021- 26.5%) to the effective tax rate for the years ended June 30 is as follows:

		2022		2021
Net income before provision for income taxes	**$**	**393,317**	**$**	**486,088**
Expected income tax expense	**$**	**104,230**	**$**	**128,810**
Difference in tax rates and other adjustments		**(3,149)**		**47,790**
Unrealized loss on marketable securities booked through OCI		**(1,186)**		**59,300**
Non-taxable Canadian dividend income		**(59,101)**		**(19,610)**
Change in tax benefits not recognized		**-**		**(24,550)**
Income tax provision	**$**	**40,794**	**$**	**191,740**
The Company's income tax is allocated as follows:				
Current tax expense	**$**	**56,203**	**$**	**156,730**
Deferred tax (recovery) expense		**(15,409)**		**35,010**
	$	**40,794**	**$**	**191,740**

The following table summarizes the components of the deferred tax:

		2022		2021
Deferred tax assets:				
Capital losses carried forward	**$**	**-**	$	9,010
Deferred tax liability:				
Marketable Securities		**(19,601)**		(44,020)
Deferred tax liability – net	**$**	**(19,601)**	$	(35,010)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

		2022		2021
Balance at the beginning of the year	**$**	**(35,010)**	$	-
Recognized in profit/loss		**15,409**		(35,010)
Balance at the end of the year	**$**	**(19,601)**	$	(35,010)

9. General Corporate Expenses

		2022		2021
Professional services	**$**	**59,878**	$	49,908
Directors fees		**32,500**		25,000
Interest on income taxes		**605**		6,404
Transfer agent fees		**24,934**		21,293
Insurance		**23,678**		21,836
General and administrative		**5,546**		11,687
Government fees		**5,376**		5,376
Shareholder information		**5,678**		5,824
	$	**158,195**	$	147,328

10. Capital Disclosures

The Company's objective when managing capital is 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 year ended June 30, 2022.

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 cash equivalents, short-term investments, royalties receivable, interest receivable on property rights, and property rights receivable. The risk management only covers the cash and cash equivalents through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

11. Financial Risk Factors - continued

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 June 30, 2022 and 2021 the aggregate of cash and cash equivalents and short-term investments, which remain liquid, 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 and cash equivalents balances and on the interest on property rights receivable, as it is calculated based on CIBC's prime rate. The Company's policy is to invest excess cash in investment-grade short-term guaranteed investment certificates and high interest mutual funds 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.

12. Subsequent Events

i. On September 28, 2022, the Company declared a special eligible dividend of $0.10 per issued and outstanding common share for a total of $537,235. The dividend is to be paid on November 30, 2022 to all shareholders of record as of the close of business on November 9, 2022.

ii. On September 8, 2022, the Company committed to a $300,000 exploration program on its Timmins claims.