

Consolidated Tanager Limited

Notes to Financial Statements

September 30, 2021

(Unaudited)

Consolidated Tanager Limited

Condensed Interim Financial Statements

For the three months ended September 30, 2021

(Unaudited)

(Expressed in Canadian \$)

**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.

E. Clifton
President and Chief Executive Officer

C. F. Watson
Secretary-Treasurer

Dated: November 12, 2021
Toronto, Canada

Consolidated Tanager Limited

Condensed Interim Statements of Financial Position
(unaudited)

		As at Sept 30, 2021	As at June 30, 2021
Assets			
Current assets			
Cash and cash equivalents	(note 2)	4,998,248	5,057,527
Short term investments	(note 3)	700,969	498,234
Marketable securities	(note 4)	4,109,029	3,435,916
Accounts receivable		6,606	4,434
Royalties receivable	(note 5)	81,192	69,989
Income taxes receivable		37,428	49,296
Interest on property rights receivable		456,015	442,109
Property rights receivable	(note 5)	625,000	1,250,000
Prepaid expenses		29,084	26,783
Total current assets		11,043,571	10,834,288
Mining properties	(note 5)	2	2
Total assets		11,043,573	10,834,290
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		47,049	51,909
		47,049	51,909
Non-current liabilities			
Deferred tax liability		50,140	35,010
		97,189	86,919
Equity			
Share capital	(note 7)	507,501	507,501
Contributed surplus		339,878	339,878
Accumulated other comprehensive income		514,298	382,759
Retained earnings		9,584,707	9,517,233
Total equity		10,946,384	10,747,371
Total liabilities and equity		11,043,573	10,834,290

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

Subsequent events

(note 11)

APPROVED ON BEHALF OF THE BOARD on November 12, 2021

(signed) "E. Clifton"

E. Clifton

(signed) "C.F. Watson"

C.F. Watson

Consolidated Tanager Limited

Condensed Interim Statement of Changes in Equity

(unaudited)

	Reserves			Retained Earnings	Total
	Share Capital	Contributed Suplus	Accumulated Other Comprehensive Income		
Balance, July 1, 2020	507,501	339,878	(132,826)	10,431,667	11,146,220
Net income for the period				104,568	89,776
Unrealized gain on marketable securities			50,263		50,263
Balance, September 30, 2020	507,501	339,878	(82,563)	10,536,235	11,301,051
Dividends paid				(1,208,782)	(1,208,782)
Unrealized gain on marketable securities			465,322		465,322
Net income (loss) for the period				189,780	189,780
Balance, June 30, 2021	507,501	339,878	382,759	9,517,233	10,747,371
Net income for the period				67,474	67,474
Unrealized gain on marketable securities			131,539		131,539
Balance, September 30, 2021	507,501	339,878	514,298	9,584,707	10,946,384

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

Consolidated Tanager Limited

For the three month periods ended September 30

Condensed Interim Statements of Comprehensive Income
(unaudited)

	3 mos Sept 30 2021	3 mos Sept 30 2020
Income		
Royalties earned (note 5)	81,147	123,383
Interest income on property rights	13,906	55,625
Interest & dividends	46,733	30,157
Total income	141,786	209,165
Expenses		
General corporate (note 6)	22,346	25,993
Professional services	15,190	12,663
Property maintenance	9,778	10,941
Total expenses	47,314	49,597
Net income before income taxes	94,472	159,568
Income taxes:		
Deferred tax recovery	15,130	-
Current income tax expense	11,868	55,000
	26,998	55,000
Net income before other comprehensive income	67,474	104,568
Unrealized gain on marketable securities	131,539	50,263
Comprehensive income for the period	199,013	154,831
Basic and diluted income per share	0.013	0.019
Weighted average number of shares	5,372,350	5,372,350

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

Consolidated Tanager Limited

Condensed Interim Statements of Cash Flows

For the three month periods ended September 30
(unaudited)

	2021	2020
Cash flow from operating activities		
Net income for the period	67,474	104,568
Item not affecting cash and cash equivalents		
Changes in net working capital		
Accounts receivable	(2,172)	(20,078)
Royalties receivable	(11,203)	166,368
Interest on property rights receivable	(13,906)	(55,625)
Property rights receivable	625,000	2,500,000
Prepaid expenses	(2,301)	(8,720)
Income taxes receivable	11,868	(2,675,000)
Deferred taxes payable	15,130	
Accounts payable and accrued liabilities	(4,860)	(5,988)
	<hr/> 685,030	<hr/> 5,525
Cash flow from investing activities		
Marketable securities	(541,574)	-
Short term investments	(202,735)	(675)
	<hr/> (744,309)	<hr/> (675)
Increase (decrease) in cash	(59,279)	4,850
Cash and cash equivalents, beginning of period	5,057,527	6,474,025
Cash and cash equivalents, end of period	<hr/> 4,998,248	<hr/> 6,478,875

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

Consolidated Tanager Limited

Notes to Financial Statements

September 30, 2021

(Unaudited)

1. Business of the Company

Consolidated Tanager Limited (the "Company") is incorporated under the Business Corporation Act of Ontario with a registered address at Suite 331 1900 Bayview Avenue, Toronto, Ontario. The Company has sold its five coal leases in Hinton Alberta with payments being made on a quarterly basis until December 31, 2021. The Company is receiving a 1% royalty on coal sales proceeds arising from coal mined from the five leases. The Company holds other 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 September 30, 2021, and June 30, 2021 the Company had \$4,998,248 and \$5,057,527 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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Revenue recognition

Revenue consists of royalties on coal sales, dividends from marketable securities and interest income on outstanding property rights proceeds receivable and on cash and cash equivalents investments, recognized on an accrual basis as earned.

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 September 30, 2021, and June 30, 2021.

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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Segment reporting

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

3. Short Term Investments

At September 30, 2021 the Company had \$700,969 (June 30, 2021, \$498,234) of short-term investments. As at September 30, 2020, the Company had short-term investments of \$888,557.

4. Marketable Securities

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

	Market Value	# of shares	Market Value	# of Shares
		30-Sep-21		30-Jun-21
Taranis Resources Inc.	231,000	2,200,000	198,000	2,200,000
Bank of Nova Scotia	323,252	4,110	331,348	4,110
Royal Bank of Canada	438,863	3,480	437,053	3,480
Toronto Dominion Bank	402,263	4,712	409,331	4,712
BCE Inc.	287,742	4,550	278,142	4,550
CI Financial Corp	258,200	10,000	227,500	10,000
Dream Industrial REIT	284,550	17,500	267,400	17,500
Enbridge Inc	284,344	5,625	279,169	5,625
Manulife Financial Corp	257,775	10,500	256,200	10,500
Northwest Healthcare	227,150	17,500	222,775	17,500
Pembina Pipeline Corp	263,185	6,500	256,035	6,500
TC Energy Corp	396,546	4,450	272,963	4,450
Exchange Income Corp	225,400	5,000	-	-
E Split Corp	228,750	15,000	-	-
	4,109,020		3,435,916	

5. 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

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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, 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 with KCE the successor company to Coalspur and in consideration for \$400,000 per annum payable by KCE to the Company the 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 and \$400,000 on February 19, 2019 (previous fiscal year) to maintain the option for 2019.

KCE made significant progress on the property in preparation for mining coal, and commenced commercial production 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 led to triggering the payment of \$10,000,000 due to the Company.

An Amended and Restated Transfer of Leases Agreement was signed between Coalspur Mines (Operations) Ltd. 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 accruing on the unpaid balance will be paid no later than December 31, 2020. The third quarterly payment of \$2,500,000 was received prior to September 30, 2020 and is reflected in the accompanying balance sheet (The first and second quarterly payments of \$2,500,000 each were received prior to June 30, 2020 and are reflected in the balance sheet for the fiscal year ended June 30, 2020).

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.

On October 27, 2021 KCE paid the royalty of 1% of the total sales generated from the sale of coal for the quarter ended September 30, 2021 in the amount of \$81,192 (September 30, 2020 - \$).

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6. Related Party Transactions

The Company incurred expenses of \$4,000 for administrative services in 2021 (September 30, 2020 - \$4,000) to the Secretary Treasurer for services provided to the Company. These expenses are included in professional services.

The Company incurred expenses of \$0. for professional consulting fees in 2021 (September 30, 2020 - \$1,163) to a director. These expenses are included in professional fees.

In total, directors were paid \$15,000 for directors' fees in the quarter ended September 30, 2021 (September 30, 2020 - \$16,500).

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.

7. Share Capital Authorized

As of September 30, 2021, and June 30, 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.

	Number of Common Shares	Amount
Balance, September 30, 2021, June 30, 2021	5,372,350	\$ 507,501

On April 3, 2021, the Company declared a special eligible dividend of \$0.075 per issued and outstanding common share for a total of \$403,930. The dividend was paid June 1, 2021 to all shareholders of record as of the close of business May 15, 2021.

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 on December 4, 2020 to all shareholders of record as of the close of business November 13, 2020.

8. 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 September 30, 2021, and June 30, 2021 the Company did not have any stock options outstanding (none outstanding as of June 30, 2020).

9. 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

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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 adjusts 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 September 30, 2021.

10. 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. This risk is managed using 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 to meet its liquidity requirements. As of September 30, 2021, and June 30, 2021, 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 equivalent 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.

Market price risk - The investment in marketable securities is set out in note 4 and includes some of the largest companies listed on Canadian stock exchanges. Although considered to be a conservative selection of companies, the share prices are subject to fluctuation based on economic outlook for markets in general and events affecting different industries internationally. The Company reviews the selected investments on a regular basis to assess the risk of market price movement.

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11. Subsequent Events

On October 27, 2021, the Company received \$81,192, from Coalspur with respect to the Royalties Receivable on September 30, 2021 (refer to Statement of Financial Position – Current assets).

On October 7, 2021, the Company declared a special eligible dividend of \$0.075 per issued and outstanding share for a total of \$403,047. The dividend is to be paid on December 3, 2021 to all shareholders of record as at the close of business November 12, 2021.

12. Covid-19

On March 11, 2020, the World Health Organization declared the Covid-19 infectious virus a global pandemic, with resulting travel bans, physical distancing requirements, closing of social, cultural, and educational facilities and non-essential businesses, in the jurisdictions in which the Company operates. Global financial equity markets have declined considerably and remain volatile. The full impact of the Pandemic is unknown and rapidly evolving. A prolonged pandemic adversely affecting the global economy could impact demand for the Company's coal.

Exploration and mining operations in Canada have been affected, including access to properties and an inability to create physical distancing. However, the future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus.