

Consolidated Tanager Limited

March 31, 2020
(Unaudited)

Consolidated Tanager Limited

Condensed Interim Financial Statements

For the three and nine months ended March 31, 2020

(Unaudited)
(Expressed in Canadian \$)

Consolidated Tanager Limited

March 31, 2020
(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 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: May 28, 2020
Toronto, Canada

Consolidated Tanager Limited

Condensed Interim Statements of Financial Position
(unaudited)

		As at Mar 31, 2020	As at June 30, 2019
Assets			
Current assets			
Cash and cash equivalents	(note 2)	3,118,419	2,061,836
Short term investments		2,294,814	820,866
Marketable securities		997,472	1,154,823
Accounts receivable		5,006	15,981
Interest on property rights proceeds		233,517	-
Property rights proceeds	(note 6)	7,500,000	-
Royalties receivable	(note 6)	270,359	-
Income taxes receivable		-	7,153
Prepaid expenses		24,240	13,831
Total current assets		14,443,827	4,074,490
Mining properties	(note 4)	2	2
Total assets		14,443,829	4,074,492
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(note 5)	45,504	91,502
Income taxes payable		2,818,247	-
Total current liabilities		2,863,751	91,502
Equity			
Share capital	(note 6)	507,501	507,501
Contributed surplus		339,878	339,878
Accumulated other comprehensive income (loss)		(148,286)	9,055
Retained earnings		10,880,985	3,126,556
Total equity		11,580,078	3,982,990
Total liabilities and equity		14,443,829	4,074,492

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

APPROVED ON BEHALF OF THE BOARD on May 28, 2020

(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 Surplus	Accumulated Other Comprehensive Gain (Loss)	Retained Earnings	
Balance, July 1, 2018	507,501	339,878	116,202	3,471,887	4,435,468
Net income (loss) for the period				232,450	232,450
Unrealized loss on marketable securities			(87,817)		(87,817)
Dividends paid <i>(note 6)</i>				(268,698)	(268,618)
Balance, March 31, 2019	507,501	339,878	28,385	3,435,639	4,311,403
Dividends paid				(268,698)	(268,698)
Unrealized loss on marketable securities			(19,320)	-	(19,320)
Net loss for the period				(40,395)	(40,395)
Balance, June 30, 2019	507,501	339,878	9,065	3,126,546	3,982,990
Net income for the period				8,023,137	8,023,137
Unrealized loss on marketable securities			(157,351)		(157,351)
Dividends paid <i>(note 6)</i>				(268,698)	(268,698)
Balance, March 31, 2020	507,501	339,878	(148,286)	10,880,985	11,580,078

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

Consolidated Tanager Limited

For the three month and nine month periods ended March 31
Condensed Interim Statements of Comprehensive Loss
(unaudited)

		3 mos Mar 31 2020	3 mos Mar 31 2019	9 mos Mar 31 2020	9 mos Mar 31 2019
Income					
Royalties earned	(note 6)	270,359	-	823,441	-
Property rights proceeds	(note 6)	-	-	10,000,000	-
Interest on property rights proceeds		148,750	-	233,517	-
Interest & dividends		19,469	422,720	65,330	454,083
Total income		438,578	422,720	11,122,288	454,083
Expenses					
General corporate	(note 5)	6,830	28,143	90,607	91,294
Professional services		29,992	14,505	101,137	36,152
Property maintenance		4,930	15,689	26,407	38,417
Total expenses		41,752	58,337	218,151	165,863
Net income before income taxes		396,826	364,383	10,904,137	288,220
Income taxes:					
Current income tax expense	(note 2)	102,000	55,770	2,881,000	55,770
Net income before other comprehensive income (loss)		294,826	308,613	8,023,137	232,450
Unrealized gain (loss) on marketable securities		(180,741)	91,140	(157,351)	(87,817)
Comprehensive income for the period		114,085	399,753	7,865,786	144,633
Basic and diluted income (loss) per share		0.021	0.074	1.464	0.027
Weighted average number of shares		5372350	5372350	5372350	5372350

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 nine month period ending March 31
(unaudited)

	2020	2019
Cash flow from operating activities		
Net income (loss) for the period	8,023,137	232,450
Item not affecting cash and cash equivalents		
Unrealized gain (loss) on marketable securities	(157,351)	(87,817)
Changes in net working capital		
Accounts receivable	10,975	745
Royalties receivable	(270,359)	-
Interest receivable on property rights proceeds	(233,517)	
Property rights proceeds	(7,500,000)	
Prepaid expenses	(10,409)	(6,849)
Income taxes payable	2,825,400	(3,484)
Accounts payable and accrued liabilities	(45,998)	(14,738)
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	2,641,878	120,307
Cash flow from investing activities		
Unrealized (gain) loss in marketable securities	157,351	87,817
Short term investments (purchase) maturity	(1,473,948)	790,000
	<hr/>	<hr/>
	(1,316,597)	877,817
Cash flow from financing activities		
Payment of dividends	(268,698)	(268,698)
	<hr/>	<hr/>
Net increase (decrease) in cash	1,056,583	729,506
Cash and cash equivalents, beginning of period	2,061,836	2,439,839
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Cash and cash equivalents, end of period	3,118,419	3,169,345

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 has sold its five coal leases in Hinton Alberta with payments being made on a quarterly basis until December 31, 2020. 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 March 31, 2020, and June 30, 2019 the Company had \$3,118,419 and \$2,061,836 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 June 30, 2019 and March 31, 2020.

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

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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. 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 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.

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 adopted IFRS9 which uses a single approach to determine whether a financial asset is measured at amortized cost or 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 royalties, 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 March 31, 2020 the Company had \$2,294,814 (June 30, 2019, \$820,866) of short-term investments.

5. Marketable Securities

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

	Market Value December 31, 2019	# of shares	Market Value June 30, 2019	# of shares
Equity Securities –				
Taranis Resources Inc.	\$ 110,000	2,200,000	\$ 143,000	2,200,000
Bank of Nova Scotia	236,202	4,110	289,097	4,110
Royal Bank of Canada	303,352	3,480	362,164	3,480
Toronto Dominion Bank	<u>281,919</u>	4,712	<u>360,562</u>	4,712
	\$ 997,472		\$1,154,823	

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 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.

Coalspur 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 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 first quarterly payment of \$2,500,000 was received prior to March 31, 2020 and is reflected in the accompanying balance sheet.

Coalspur has paid the royalty of 1% of the total sales generated from the sale of coal to March 31, 2020 (this income is reflected in the accompanying quarterly financial statements, for the three and nine months ended March 31, 2020).

7. Related Party Transactions

The Company incurred expenses of \$30,000 in management fees in the nine months ended March 31, 2020 (March 31, 2019 - \$30,000) to the President for services provided to the Company. This expense is included in general corporate expenses.

The Company incurred expenses of \$12,250 for administrative services in the nine months ended March 31, 2020 (March 31, 2019 - \$12,750) to the Secretary Treasurer for services provided to the Company. These expenses are included in professional services.

The Company incurred expenses of \$59,425 for legal services in the nine months ended March 31, 2020 (March 31, 2019 \$6,000) to a legal firm in which a director of the Company was a partner. These expenses are included in professional services.

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The Company incurred expenses of \$7,862 for professional consulting fees in the nine months ended March 31, 2020 (March 31, 2019 - \$1,800) to a director. These expenses are included in professional fees.

In total, directors were paid \$26,000 for directors' fees for the nine months ended March 31, 2020 (March 31, 2019 - \$24,000).

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.

8. Share Capital

Authorized

As of March 31, 2020, and June 30, 2019, 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, March 31, 2020, June 30, 2019	5,372,350	\$ 507,501

On November 1, 2019, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,698. The dividend was paid December 16, 2019 to all shareholders of record as at the close of business December 2, 2019.

On May 21, 2019, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,698. The dividend was paid June 28, 2019 to all shareholders of record as at the close of business June 14, 2019.

On May 14, 2018, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,698. The dividend was paid August 29, 2018 to all shareholders of record as at the close of business August 15, 2018.

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 March 31, 2020, and June 30, 2019 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.

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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 March 31, 2020.

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 using a major Canadian chartered 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 March 31, 2020, and June 30, 2019 cash exceeded the Company's financial liabilities.

Pandemic COVID-19 Risk

On March 11, 2020, the World Health Organization declared the COVID-19 infectious virus a global pandemic, with resulting travel bans, physical distancing, closing of social, cultural and education 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 that 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.

Market Risk

Interest rate risk - The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances and unpaid property rights proceeds. 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.

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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 Event

On April 3, 2020, the Company declared a special eligible dividend of \$0.15 per issued and outstanding common share for a total of \$806,094. The dividend was paid on May 15, 2020 to all shareholders of record as at the close of business May 1, 2020