

CONSOLIDATED Tanager LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year ended June 30, 2019

The following Management Discussion and Analysis (MD&A) of the financial condition and results of operations of Consolidated Tanager Limited (the “Company” or “Tanager”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the year ended June 30, 2019. This MD&A was prepared as at October 10, 2019. It should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2019. Unless otherwise indicated, all amounts discussed herein are denominated in Canadian dollars.

Additional information relating to the Company is available on SEDAR at www.sedar.com

The Company

The Company’s business activities are carried out in a single reportable operating segment of exploration and development for coal and non-ferrous mining properties. As at the financial reporting date the management of the Company comprised the following individuals:

<u>Name</u>	<u>Position(s)</u>
C.A. (Pat) Burns	Director and Chief Executive Officer
C.F. Watson	Director and Chief Financial Officer
W.S. (Steve) Vaughan	Director
Frank van de Water	Director
Eric Clifton	Director

Forward-looking Statements

Certain statements in this MD&A may constitute “forward-looking” statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or the industry in which it operates, to be materially different from any future results, performance or achievements, expressed or implied, by such forward-looking statements. Given these risks and uncertainties, readers should not place undue reliance on forward-looking statements as a prediction of actual results. Forward-looking statements reflect the current expectations of the management of the Company, only as of the date hereof, with respect to future events based on currently available information. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Description of Business

The Company’s Hinton, Alberta coal property has commenced commercial production.

The Company also holds a large number of mining claims in northern Ontario, some of which have had exploration carried out on them. The Company may seek partners to carry out further exploration on them or to sell or farm them out to third parties.

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Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged. The least of which being adverse movements in commodity prices, which are difficult to forecast.

Industry

As discussed below, the Company's Hinton, Alberta coal property has commenced coal production and the Company will be receiving a royalty on coal sales.

The Company also holds a large number of mining claims in northern Ontario. Exploration is an inherently risky business and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits on its mineral properties. The price of gold and exploration potential will determine whether exploration will be carried out on the Company's gold properties.

Prices

The price of coal and gold is affected by numerous factors beyond the control of the Company including central bank gold sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. The price of gold and other metals has been highly volatile over short periods of time.

Cash Flows and Additional Funding Requirements

The Company received property rights payments totalling \$8,000,000 for its coal property in Alberta during the 2011 and 2012 fiscal years, and the agreement with CIP Coal Pty Ltd ("CIP") called for an additional final property rights payment of \$10,000,000 in February 2016. The contract terms were such that if this final payment was not made, by its due date, ownership of 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 KC Euroholdings S. a.r.l ("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 to maintain the option for 2016 and 2017 and \$400,000 in early 2018 to maintain the option for 2018 and \$400,000 on February 19, 2019 to maintain the option for 2019.

KCE has put the coal property into commercial production and to June 30, 2019, 155,000 tonnes were sold and shipped, but settlement received after June 30, 2019. Once KCE has produced, sold and delivered its 500,000th clean tonne, the payment of \$10,000,000 will be due to Tanager. In addition, KCE will pay a royalty of 1% of the total sales generated from the sale of the coal. Tanager Limited will begin to receive royalty payment, for coal sold, shipped and settlement received, to September 30, 2019, in October 2019.

The Company is currently not doing exploration, but it is considering doing so and has the financial capability to review its existing mineral land holdings in Timmins. If the company does exploration and the Company's exploration programs are successful, substantial additional capital would be required to put any properties into commercial production, if warranted. There is no assurance that

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the Company would have the necessary capital or would be able to obtain adequate financing in the future or that such financing would be on terms advantageous to the Company.

Environment

Although the Company presently is not actively exploring, the Company's exploration and development activities are subject to extensive laws and regulations governing environmental protection. If and when the Company does explore there can be no assurance that all future environmental requirements will be achievable on reasonable terms.

Laws and Regulations

Exploration activities in Canada are subject to local laws and regulations governing consultations with First Nations regarding rights, prospecting, development, production, exports, taxes, labour standards, occupation health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management and advisors to ensure compliance with current laws and regulations.

Title to Mineral Properties

The Company has held all of its mineral properties for many years. Most are held as patented mining claims and the Hinton, Alberta coal property is held by renewable leases from the government of Alberta. The Company is unaware of any defects in title.

Competition

There is competition from other mining exploration companies with operations similar to those of the Company. Many of the mining companies with which the Company competes have operations and financial resources greater than those of the Company.

Dependence on Management

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Liquidity and capital resources

At June 30, 2019 the Company had cash and cash equivalents of \$2,061,836 and working capital of \$3,982,988 and on June 30, 2018 had cash and cash equivalents of \$2,439,839 and working capital of \$4,435,466. At October 10, 2019 the Company has cash and cash equivalents of \$2,020,556 and working capital of \$3,980,477

Selected Quarterly Information

Jun-30 2019	Mar-31 2019	Dec-31 2018	Sep-30 2018	Jun-30 2018	Mar-31 2018	Dec-31 2017	Sep-30 2017
\$	\$	\$	\$	\$	\$	\$	\$

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Net Income (Loss)	(40,836)	308,613	(20,899)	(55,273)	(31,979)	306,841	(52,861)	(50,606)
Earnings (loss) per share - basic & diluted	(0.008)	0.057	(0.0039)	(0.010)	(0.006)	0.051	(0.009)	(0.009)
Total assets	4,074,492	4,379,227	3,944,722	4,115,606	4,521,435	4,548,447	4,467,270	4,604,509

Financial Information

The following financial information is for the years ended June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 4,074,490	\$ 4,521,433
Current liabilities	(91,502)	(85,967)
Working Capital	<u>\$ 3,982,988</u>	<u>\$ 4,435,466</u>
Total revenues	\$ 478,005	\$ 459,872
Total expenses	(245,840)	(235,487)
Current income taxes	(40,101)	(52,990)
Net income before other comprehensive income	192,064	171,395
Unrealized gain (loss) on available-for-sale marketable securities	(107,147)	26,876
Net income & comprehensive income for year	\$ <u>84,917</u>	<u>\$ 198,271</u>

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. The number outstanding as at June 30, 2019 was 5,372,350 (2018 – 5,372,350).

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. No options are currently outstanding.

Investor Relations

An Annual and General meeting of shareholders was held on December 13, 2018.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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Accounting Policies and Estimates

A description of the Company's significant accounting policies is included in Note 2 to the annual financial statements as at June 30, 2019.

Related Party Transactions

The Company incurred management fees of \$40,000 for the year ended June 30, 2019 (2018 - \$40,000 in management fees) to the President for services provided to the Company. These expenses are included in general corporate expenses.

The Company incurred legal fees for professional services rendered of \$28,250 for the year ended June 30, 2019 (2018 - \$4,163) to a legal firm owned by a Director of the Company. These expenses are included in general corporate expenses.

The Company incurred expenses of \$15,000 for the year ended June 30, 2019 (2018 - \$15,000) to the Chief Financial Officer for accounting, administrative and secretarial services rendered. These expenses are included in general corporate expenses.

The Company incurred Directors' fees of \$26,500 for the year ended June 30, 2019 (2018 - \$21,500). These expenses are included in general corporate expenses.

Included in accounts payable and accrued liabilities as at June 30, 2019 is \$33,750 (2018-\$13,350) payable to related parties of the Company. 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.

Outlook

The Company is continuing to look for investor Companies to explore and hopefully develop its non-ferrous mineral properties in Ontario, and the Company may do exploration on its own behalf.

The Cline Group, who have optioned the Hinton coal property in Alberta, acquired the mining and the necessary processing equipment, built the infrastructure, and have recently put the Alberta property into commercial production. Shipments of coal destined for the Asian thermal coal markets commenced in June 2019. Tanager will be entitled to royalties for shipments sold, to September 30, 2019 which will be received in October.