Consolidated Tanager Limited

Condensed Interim Financial Statements

For the three and nine months ended March 31, 2018

(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.

(signed)" C.A. Burns"

C.A. Burns
President and Chief Executive Officer

(signed)" C.F. Watson"

C. F. Watson
Secretary-Treasurer

Dated: May 23, 2018
Toronto, Canada

Consolidated Tanager Limited

Condensed Interim Statements of Financial Position
(expressed in Canadian $)
(unaudited)

		As at Mar 31, 2018	As at June 30, 2017
Assets			
Current assets			
Cash and cash equivalents	*(note 2)*	3,283,151	4,689,354
Accounts receivable		11,489	17,935
Marketable securities	*(note 3)*	1,236,994	231,000
Prepaid expenses		16,811	5,949
Total current assets		4,548,445	4,944,238
Mining properties	*(note 4)*	2	2
Total assets		4,548,447	4,944,240
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		53,818	55,531
Income taxes		52,000	114,117
Total liabilities		105,818	169,648
Shareholders' equity			
Share capital	*(note 6)*	507,501	507,501
Contributed surplus		339,878	339,878
Accumulated other comprehensive loss		91,225	89,326
Retained earnings		3,504,025	3,837,887
Total shareholders' equity		4,442,629	4,774,592
Total liabilities and shareholders' equity		4,548,447	4,944,240

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

APPROVED ON BEHALF OF THE BOARD on May 14, 2018

(signed) "C.A. Burns"
C.A. Burns

(signed) "C.F. Watson"
C.F. Watson

Consolidated Tanager Limited

Condensed Interim Statement of Changes in Equity
(expressed in Canadian $)
(unaudited)

	Reserves				
	Share Capital	**Contributed Suplus**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total**
Balance, July 1, 2016	507,501	339,878	67,326	3,647,733	4,562,438
Net income (loss) for the period				(166,730)	(166,730)
Unrealized gain on marketable securities			11,000		11,000
Dividends paid				(268,618)	(268,618)
Balance, March 31, 2017	507,501	339,878	78,326	3,212,385	4,138,090
Unrealized gain on marketable securities			11,000		11,000
Net income (loss) for the period				625,502	625,502
Balance, June 30, 2017	507,501	339,878	89,326	3,837,887	4,774,592
Net income (loss) for the period				203,374	203,374
Unrealized gain on marketable securities			1,899		1,899
Dividends paid				(537,236)	(537,236)
Balance, March 31, 2018	507,501	339,878	91,225	3,504,025	4,442,629

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 December 31
Condensed Interim Statements of Comprehensive Income (Loss)
(expressed in Canadian $)
(unaudited)

	three mos ended March 31 2018	three mos ended March 31 2017	nine mos ended March 31 2018	nine mos ended March 31 2017
Income				
Land purchase option proceeds	-	-	-	5,000
Interest & dividends	420,029	16,417	438,226	32,855
Total income	420,029	16,417	438,226	37,855
Expenses				
General corporate *(note 5)*	20,270	22,311	86,793	92,333
Professional services	10,788	38,412	43,125	79,236
Property maintenance	9,140	7,781	31,944	33,016
Total expenses	40,198	68,504	161,862	204,585
Income before tax provision	379,831	(52,087)	276,364	(166,730)
Income tax provision	72,990		72,990	-
Net income (loss) before other comprehensive income	306,841	(52,087)	203,374	(166,730)
Unrealized gain (loss) on marketable securities	(31,671)	-	1,899	11,000
Net comprehensive income (loss) for the period	275,170	(52,087)	205,273	(155,730)
Basic and diluted income (loss) per share	0.051	(0.010)	0.038	(0.029)
Weighted average number of shares	5,372,350	5,372,350	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 nine month period ended March 31,
(expressed in Canadian $)
(unaudited)

	2018	2017
Operating activities		
Net income (loss) before other comprehensive income	205,273	(166,730)
Item not affecting cash and cash equivalents:		
Unrealized gain on marketable securities	(1,899)	(11,000)
Changes in working capital:		
Accounts receivable	6,446	45,362
Prepaid expenses	(10,862)	1,017
Corporate income taxes	(62,117)	-
Accounts payable and accrued liabilities	(1,713)	8,681
Net cash from (used in) operating activities	135,128	(122,670)
Investing activities		
Purchase of marketable securities	(1,005,994)	-
Net proceeds from redemption of short term investments	-	1,000,000
Unrealized gain in marketable securities	1,899	11,000
Net cash (used in) from investing activities	(1,004,095)	1,011,000
Payment of dividends	(537,236)	(268,618)
Increase (decrease) in cash	(1,406,203)	619,712
Cash and cash equivalents, beginning of period	4,689,354	3,312,890
Cash and cash equivalents end of period	3,283,151	3,932,602

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

2. **Significant Accounting Policies**
Statement of Compliance
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 particular significance are the estimates and assumptions used in the recognition and measurement of items included in Significant accounting judgments and estimates below.

Financial Assets:
The Company's financial instruments comprise the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Short-term investments	Fair value through profit and loss
Marketable securities – equity securities	Available-for-sale
Accounts receivable	Loans and receivables
Income tax receivable	Loans and receivables

Financial liabilities:	Classification:
Accounts payable	Other financial liabilities

Fair value through profit and loss:
Financial assets are designated as fair value through profit and loss if they were acquired principally for the purpose of selling in the short term. Fair value through profit and loss assets are recognized and carried at their fair value.

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any

directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:
Financial instruments recorded at fair value on the condensed interim 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);

- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market date (unobservable inputs).

As of March 31, 2018, and June 30, 2017, cash and cash equivalents and marketable securities – equity securities, were measured at fair value and as such are classified within Level 1 of the fair value hierarchy.

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, 2018, and June 30, 2017 the Company had $3,283,151 and $4,689,354 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 available-for-sale and measured at fair value. Unrealized gains and losses due to period end revaluation to fair value, other than those determined to be other than temporary losses, are recorded as other comprehensive income or loss.

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

Provisions
A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions as at March 31, 2018, and June 30, 2017.

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

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

<u>Critical accounting estimates</u>:
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;

<u>Critical accounting judgments</u>
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.

Accounting standards effective in current period but not yet adopted

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in its final form in July, 2014, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

IFRS 15, *Revenue from Contracts with Customers:* effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

The Company has reviewed the other standards and interpretations that have been issued but are not yet effective and it does not expect any of these to have an impact on its financial statements.

3. Marketable Securities

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

	Market Value March 31, 2018	# of shares	Market Value June 30, 2017	# of shares
Equity Securities –				
Taranis Resources Inc.	$ 220,000	2,200,000	$231,000	2,200,000
Bank of Nova Scotia	335,406	4,110	-	-
Royal Bank of Canada	334,930	3,480	-	-
Toronto Dominion Bank	333,759	4,712	-	-
	$1,224,094		$231,000	

4. 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.

On May 6, 2015, the Company (the "Grantor") entered into an option to purchase agreement with Recurrent Energy Site Co LLC (the "Grantee") to purchase properties that the Company owns in Timmins, Ontario. In consideration for this option, the Company received $5,000 on August 5, 2015 and $5,000 on October 11, 2016. At the time of receiving the second option payment the Grantee notified the Grantor that they would not be proceeding with the purchase.

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 CIP Coal Pty Ltd ("CIP") to transfer the rights of the Hinton Coal property. An initial cash payment of $2,000,000 was received by the Company. In accordance with the agreement, 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 further payment of $10,000,000 in the event that the property is put into production at a rate of at least 90,000 tonnes per month at any time until February 2016. 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 in consideration for $400,000 per annum payable by KC 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 $400,000 in the current quarter (to maintain the option for the current fiscal year) and $800,000 during the previous fiscal year (to maintain the option for both 2016 and 2017).

5. Related Party Transactions

The Company incurred expenses of $30,000 in management fees in the nine months to March 31, 2018 (March 31, 2017 - $30,000) to the President for services provided to the Company. These expenses are included in general corporate expenses.

The Company incurred expenses of $11,250 for administrative services in the nine months to March 31, 2018 (March 31, 2017 - $9,000) to the Secretary Treasurer for services provided to the Company. These expenses are included in professional services.

The Company incurred expenses of $1,650 for legal services in the nine months to March 31, 2018 (March 31, 2017 -$53,996) to legal firms in which a director of the Company was a partner. These expenses are included in professional services.

The Company incurred expenses of $2,887 for professional consulting services in the nine months to March 31, 2018 (March 31, 2017 - $nil) to a director of the Company. These expenses are included in professional services.

Directors were paid a total of $nil for directors fees in the quarter ended March 31, 2018 (March 31, 2017 - $nil) and $19,750 for the nine months ended March 31, 2018 (March, 2017 - $17,500).

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.

6. Share Capital

Authorized

As of March 31, 2018, June 30, 2017 and June 30, 2016, 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, 2017, June 30, 2017	5,372,350	$ 507,501

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

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

On August 10, 2016 the Company declared a special eligible dividend of $0.05 per issued and outstanding common share for a total of $268,618. The dividend was paid September 16, 2016 to all shareholders of record as at the close of business August 30, 2016.

7. 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, 2018, and June 30, 2017 the Company did not have any stock options outstanding (none outstanding as of June 30, 2016).

8. Capital Disclosures

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

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it, based upon funds available to the Company or in response to changes in economic conditions and the risk characteristics of the underlying assets.
Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the period ended March 31, 2018.

9. Financial Risk Factors

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

Credit Risk

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

Liquidity Risk
The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. As of March 31, 2018 cash and cash equivalents exceeded the Company's requirements.

Market Risk
Interest rate risk - The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances. The Company's policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the cash equivalents it makes and is satisfied with the creditworthiness of its banks. The Company has also invested in common shares of Canadian chartered banks and is therefore exposed to fluctuations in market price.
Commodity price risk - The Company is indirectly 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 and precious metals to determine the appropriate course of action to be taken by the Company.