

**Consolidated Tanager Limited**  
**Financial Statements**  
**(Stated in Canadian Dollars)**  
**June 30, 2019 and 2018**

# Consolidated Tanager Limited

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*June 30, 2019 and 2018*

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# Independent Auditor's Report

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To the Shareholders of Consolidated Tanager Limited:

## Opinion

We have audited the financial statements of Consolidated Tanager Limited (the "Company"), which comprise the statements of financial position as at June 30, 2019 and June 30, 2018, and the statements of operations and 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, 2019 and June 30, 2018, 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

*MNP LLP*

Mississauga, Ontario

Chartered Professional Accountants

October 10, 2019

Licensed Public Accountants

## Consolidated Tanager Limited

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### Statements of Financial Position

June 30, 2019 and 2018

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	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,061,836	\$ 2,439,839
Short term investments	820,866	790,000
Marketable securities (note 6)	1,154,823	1,261,970
Accounts receivable	23,134	18,570
Prepaid expenses	13,831	11,054
	<b>4,074,490</b>	4,521,433
Mining properties (note 3)	2	2
	<b>\$ 4,074,492</b>	\$ 4,521,435
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 4)	\$ 91,502	\$ 53,967
Income taxes payable	-	32,000
	<b>91,502</b>	85,967
<b>Equity</b>		
Share capital (note 5)	507,501	507,501
Contributed surplus	339,878	339,878
Accumulated other comprehensive income	9,055	116,202
Retained earnings	3,126,556	3,471,887
	<b>3,982,990</b>	4,435,468
	<b>\$ 4,074,492</b>	\$ 4,521,435

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

Approved by the Board

Signed: "C. A. Burns"

Director

Signed: "C. F. Watson"

Director

## Consolidated Tanager Limited

### Statements of Changes in Equity

for the years ended June 30, 2019 and 2018

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance, June 30, 2017</b>	\$ 507,501	\$ 339,878	\$ 89,326	\$ 3,837,887	\$ 4,774,592
Dividends paid (note 5)	-	-	-	(537,395)	(537,395)
Unrealized gain on marketable securities	-	-	26,876	-	26,876
Net income for the year	-	-	-	171,395	171,395
<b>Balance, June 30, 2018</b>	\$ 507,501	\$ 339,878	\$ 116,202	\$ 3,471,887	\$ 4,435,468
Dividends paid (note 5)	-	-	-	(537,395)	(537,395)
Unrealized loss on marketable securities	-	-	(107,147)	-	(107,147)
Net income for the year	-	-	-	192,064	192,064
<b>Balance, June 30, 2019</b>	\$ 507,501	\$ 339,878	\$ 9,055	\$ 3,126,556	\$ 3,982,990

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

## Consolidated Tanager Limited

### Statements of Operations and Comprehensive Income

for the years ended June 30, 2019 and 2018

	2019	2018
<b>Income</b>		
Investment income	\$ 78,005	\$ 59,872
Land purchase option proceeds (note 3)	400,000	400,000
	<b>478,005</b>	459,872
<b>Expenses</b>		
General corporate (notes 4 and 8)	190,787	184,744
Property maintenance	55,053	50,743
	<b>245,840</b>	235,487
<b>Income before income taxes</b>	<b>232,165</b>	224,385
Income taxes:		
Current income tax expense (note 7)	40,101	52,990
<b>Net income before other comprehensive income (loss)</b>	<b>192,064</b>	171,395
<b>Comprehensive income</b>		
<b>To not be subsequently reclassified to net (loss) income:</b>		
Unrealized loss on marketable securities arising during the year	(107,147)	-
<b>To be subsequently reclassified to net (loss) income:</b>		
Unrealized gain on marketable securities arising during the year	-	26,876
<b>Comprehensive income for the year</b>	<b>\$ 84,917</b>	\$ 198,271
<b>Basic and diluted net income per common share</b>	<b>\$ 0.04</b>	\$ 0.04
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>5,372,350</b>	5,372,350

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

## Consolidated Tanager Limited

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### Statements of Cash Flows

for the years ended June 30, 2019 and 2018

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	2019	2018
<b>Cash flow used in operating activities</b>		
Net income	\$ 192,064	\$ 171,395
Changes in net working capital:		
Accounts receivable	(4,564)	(635)
Prepaid expenses	(2,777)	(5,105)
Accounts payable and accrued liabilities	37,535	(1,551)
Income taxes payable	(32,000)	(82,117)
	<b>190,258</b>	81,987
<b>Cash flow from investing activity</b>		
Purchase of marketable securities	-	(1,004,107)
Purchase of GIC/Redemption	(30,866)	(790,000)
	<b>(30,866)</b>	(1,794,107)
<b>Cash used in financing activity</b>		
Dividends paid	(537,395)	(537,395)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(378,003)</b>	<b>(2,249,515)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,439,839</b>	<b>4,689,354</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,061,836</b>	<b>\$ 2,439,839</b>

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



## Notes to the Financial Statements

June 30, 2019 and 2018

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### 1. Business of the Company

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Consolidated Tanager Limited (the "Company" or "Tanager") 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

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#### 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.

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 currency of presentation 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 October 10, 2019.

#### 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.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**2. Significant Accounting Policies - continued**

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**Financial instruments**

Financial assets

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) to Replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for recognition and measurement of financial instruments, and a single, forward looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning or after January 1, 2018, with early adoption permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for financial instruments that were recognized at the date of application, which was July 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

IFRS 9 includes requirement for recognition and measurement, impairment, de-recognition and general hedge accounting. 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 fair value through profit or loss (“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 statement of loss and comprehensive loss.

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

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent “solely payments of principal and interest”. 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 and accounts receivable are classified as financial assets measured at amortized cost.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**2. Significant Accounting Policies - continued**

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**Financial instruments – continued**

Financial liabilities

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.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are measured at fair value, net of transaction cost. 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.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through statement of loss and comprehensive loss, 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 statement of loss and comprehensive loss. 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 statement of loss and comprehensive loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**2. Significant Accounting Policies - continued**

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**Financial instruments – continued**

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.

Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets and liabilities</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	FVTPL	FVTPL
Marketable securities	Available for sale	FVOCI
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

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The Company determines the classification of financial assets at initial recognition. The classification of its instruments is based on the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**2. Significant Accounting Policies – continued**

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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, 2019, and 2018, 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, 2019, and 2018 the Company had \$2,061,836 and \$2,439,839, 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 with changes recorded in comprehensive income (loss). 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 comprehensive 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, 2019 and 2018*

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**2. Significant Accounting Policies - continued**

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**Revenue recognition**

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), which replaced IAS 18, Revenue, results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. IFRS 15 became effective for year ends commencing after January 1, 2018. The adoption of this standard did not have a material impact on the Company’s financial statements.

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

**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, 2019 and 2018.

**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 loss 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.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**2. Significant Accounting Policies - continued**

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**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.

**Changes in accounting policies**

The Company's accounting policies will typically change only when there is a change in IFRS.

Effective July 1, 2018, the Company adopted IFRS 9 which used 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.

Investments in equity instruments are required to be measured at fair value through profit or loss. However, there is an irrevocable option to present fair value changes for each equity instrument in other comprehensive income or loss. The Company determined this optional presentation, wherever applicable, to be most consistent with how it managed these financial assets at the time IFRS 9 was initially adopted. The Company has applied the irrevocable option for each equity investment resulting in measurement of gains and losses in other comprehensive income or loss.

The Company also adopted IFRS 15 Revenue from Contracts effective July 1, 2018. There was no impact from the adoption of IFRS 15.

**Accounting standards effective in future periods**

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016, and replaces IAS 17 – Leases, as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. Management is currently assessing the impact on the financial statements. 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.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**3. Mining Properties**

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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, 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 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. In the current year, the Company received an additional \$400,000 to maintain the option for 2019.

KCE has made significant progress on the property in preparation for mining coal and has made some rail shipments. Once KCE has produced, sold and delivered their 500,000th clean tonne, the payment of \$10,000,000 will be due to Consolidated Tanager. In addition, KCE has agreed to pay a royalty of 1% of the total sales generated from the sale of the coal. It is anticipated that Consolidated Tanager Limited will begin to earn royalty payments, for coal shipped and sold, beginning with the first quarter of the upcoming fiscal year (year ended June 30, 2020).

**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. 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.



**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**4. Related Party Transactions and Balances**

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

The Company incurred legal fees 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 \$33,500 (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.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**5. Share Capital**

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**Authorized**

As of June 30, 2019, and 2018, 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**

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	<b>Number</b>	<b>Amount</b>
<b>Balance, June 30, 2019 and 2018</b>	<b>5,372,350</b>	<b>\$ 507,501</b>

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On July 24, 2017, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,698. The dividend was paid on August 29, 2017 to all shareholders of record as at the close of business August 15, 2017.

On December 12, 2017, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,697. The dividend was paid on March 1, 2018 to all shareholders of record as at the close of business February 15, 2018.

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 recorded as at the close of business August 15, 2018.

On May 21, 2019, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,697. The dividend was paid on June 28, 2019 to all shareholders of record as at the close of business June 14, 2019.

As of June 30, 2019, and 2018 there were no options or warrants outstanding.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

**6. Marketable Securities**

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

	<b>2019</b>	<b>Number</b>		2018	Number
Equity Securities -					
Taranis Resources Inc.    \$	<b>143,000</b>	2,200,000	\$	253,000	2,200,000
Bank of Nova Scotia	<b>289,097</b>	4,110		305,948	4,110
Royal Bank of Canada	<b>362,164</b>	3,480		344,486	3,480
Toronto Dominion Bank	<b>360,562</b>	4,712		358,536	4,712
	<b>\$ 1,154,823</b>		<b>\$</b>	1,261,970	

On September 29, 2017, the Company acquired 3,480 Royal Bank of Canada shares, 4,712 Toronto Dominion Bank shares for \$334,930 and \$333,759 respectively. Additionally, on October 5, 2017, the Company purchased 4,110 shares of Bank of Nova Scotia for \$335,406. The purchase of the securities was done upon the sale of B2B high interest investments.

On October 22, 2013, the Company acquired 2,200,000 units of Taranis Resources Inc. for total consideration of \$220,000. Each unit consisted of one common share and one common share purchase warrant with an exercise price of \$0.15 per warrant and an expiry date of October 22, 2015. The common share purchase warrants were valued using the Black-Scholes model on date of acquisition using the following assumptions: risk-free interest rate of return of 1.09%, expected stock volatility of 141%, dividend yield of 0% and expected life of 2 years.

**Notes to the Financial Statements**

June 30, 2019 and 2018

**7. Income Taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018- 26.5%) to the effective tax rate for the years ended June 30 is as follows:

	2019	2018
Net income before provision for income taxes	\$ 192,064	\$ 224,385
Expected income tax expense	\$ 50,897	\$ 59,462
Tax rate changes and change in tax benefits not recognized	(10,796)	(6,472)
Unrealized loss on marketable securities booked through OCI	(14,197)	-
Change in tax benefits not recognized	14,197	-
Current income tax expense	\$ 40,101	\$ 52,990

The following table summarizes the components of the deferred tax liability:

	2019	2018
Deferred tax assets:		
Capital losses carried forward	\$ 1,200	\$ 15,400
Deferred tax liability:		
Unrealized gains on marketable securities	(1,200)	(15,400)
Deferred tax liability - net	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
Non-capital losses carried forward	\$ -	\$ -
Capital losses carried forward	\$ 69,270	\$ -

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**8. General Corporate Expenses**

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	2019	2018
Professional services	\$ 75,252	\$ 44,075
Directors fees	26,500	21,500
Transfer agent fees	20,742	21,029
Insurance	15,012	16,318
General and administrative	46,465	48,555
Government fees	2,765	30,832
Shareholder information	4,051	2,435
	<b>\$ 190,787</b>	<b>\$ 184,744</b>

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**9. Capital Disclosures**

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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, 2019.

**10. Financial Risk Factors**

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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 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.

**Notes to the Financial Statements**

*June 30, 2019 and 2018*

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**10. Financial Risk Factors - continued**

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**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, 2019 and 2018 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. 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. The Company closely monitors commodity prices related to coal to determine the appropriate course of action to be taken by the Company.