

CONSOLIDATED Tanager LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year ended June 30, 2021

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, 2021. This MD&A was prepared as of October 7, 2021. It should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2021. Unless otherwise indicated, all amounts discussed herein are denominated in Canadian dollars. The financial statements of the Company as of June 30, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 to those financial statements.

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>
Eric Clifton	Director and Chief Executive Officer
Carolyn Watson	Director and Chief Financial Officer
Frank van de Water	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 holds resource properties, some of which have had exploration carried out on them. The Company seeks partners to carry out further exploration or to sell or farm them out. The most important property is the Hinton Alberta low sulphur coal leases currently being mined by KCE Euroholdings S.a.r.l (“KCE”) as further set out in this report.

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Risks and Uncertainties

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

Industry

The Company is engaged in the exploration, sale or farm-out of mineral properties. 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 copper will influence whether exploration will be carried out on the Company's properties in Ontario.

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 coal, gold and other metals has been highly volatile over short periods of time.

Cash Flows and Additional Funding Requirements

The Company currently has regularly occurring revenue from coal royalties, dividends, and interest income.

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.

Coalspur Mines (Operations) Ltd. 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 led to triggering a payment of \$10,000,000 due to the Company.

An amended and Restated Transfer of Leases Agreement was signed between Coalspur and the Company which agreed to quarterly payments (\$2,500,000) of the \$10,000,000 balance owing commencing March 31, 2020 and finishing no later than December 31, 2020. In addition, interest accruing on the unpaid balance was to be paid no later than December 31, 2020. The first and second quarterly payments of \$2,500,000 each were received in the previous fiscal year and are reflected in the statement of financial position for the year ended June 30, 2020. The third quarterly payment of \$2,500,000 was received on September 25, 2020 (current fiscal year).

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A Second Amended and Restated Transfer of Leases Agreement was signed on January 13, 2021 between Coalspur and the Company which agreed to spread the final quarterly payment due December 31, 2020, in the amount of \$2,500,000 to be deferred and paid in quarterly installments of \$625,000 each, (with all Payment Plan Interest accruing being paid with the final \$625,000 installment payment) no later than September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021.

A Third Amended and Restated Transfer of Leases Agreement was signed on April 6, 2021, between Coalspur and the Company to spread the final three payments of \$625,000 that was due under the Second Amendment to be paid not later than the close of business on June 30, 2021, September 30, 2021 and December 31, 2021.

Coalspur has paid the royalty of 1% of the total sales generated from the sale of coal to March 31, 2021, and the royalties for the fourth quarter have been accrued, on the current balance sheet, and were received subsequent to year end.

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 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 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 costlier. 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 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 like 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.

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Dependence on Management

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

Liquidity and capital resources

At June 30, 2021 the Company had cash and cash equivalents of \$5,057,527 and working capital of \$10,782,379 and on June 30, 2020 had cash and cash equivalents of \$6,474,025 and working capital of \$11,146,218. At October 7, 2021 the Company has cash and cash equivalents of \$4,998,273 and working capital of \$11,006,757.

Selected Quarterly Information

	Jun-30 2021	Mar-31 2021	Dec-31 2020	Sep-30 2020	Jun-30 2020	Mar-31 2020	Dec-31 2019	Sep-30 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Comprehensive Income (Loss)	77,660	331,200	246,242	154,831	373,074	114,085	7,604,473	147,228
Earnings (loss) per share - basic & diluted	0.014	0.062	0.046	0.029	0.0693	0.021	1.415	0.027
Total assets	10,834,290	11,120,455	10,785,818	11,482,973	14,009,131	14,443,829	14,248,537	4,295,551

Financial Information

The following financial information is for the years ended June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Current assets	\$10,834,288	\$14,009,129
Current liabilities	51,909	<u>2,862,911</u>
Working Capital	<u>\$10,782,379</u>	<u>\$ 11,146,218</u>
Total revenues	\$ 691,799	\$ 11,520,088
Total expenses	(205,711)	(269,875)
Current and deferred income taxes	(191,740)	<u>(2,870,742)</u>
Net income before other comprehensive income	294,438	8,379,741
Unrealized gain (loss) on available-for-sale marketable securities	515,585	<u>(141,881)</u>
Net income & comprehensive income for year	<u>\$ 809,933</u>	<u>\$ 8,237,860</u>

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Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. The number outstanding as of June 30, 2021 was 5,372,350 (2020 – 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 17, 2020.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Accounting Policies and Estimates

A description of the Company's significant accounting policies is included in Note 2 to the annual financial statements as of June 30, 2021.

Related Party Transactions

The Company incurred management fees of \$Nil for the year ended June 30, 2021 (2020 - \$20,000 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 \$Nil for the year ended June 30, 2021 (2020 - \$61,925) to a legal firm owned by a Director of the Company. These expenses are included in general corporate expenses.

The Company incurred expenses of \$16,000 for the year ended June 30, 2021 (2020 - \$16,000) to the Chief Financial Officer for accounting, administrative and secretarial services rendered. These expenses are included in general corporate expenses.

The Company incurred expenses of \$4,012 for professional consulting fees for the year ended June 30, 2021 (2020-\$10,299) to a director. These expenses are included in general corporate expenses.

The Company incurred Directors' fees of \$25,000 for the year ended June 30, 2021 (2020 - \$28,000). These expenses are included in general corporate expenses.

Included in accounts payable and accrued liabilities as at June 30, 2021 is \$Nil (2020-\$3,700) 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.

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The Company does not anticipate receiving such significant royalty income in the fiscal year ahead based on the Coalspur's mining plan. For the balance of phase 1, Coalspur is moving away from mining on the Company's lease locations. Phase 2, where a significant portion of the Company's leases would be mined, has been delayed due to government delays in approvals.

Subsequent Events

On July 30, 2021, the Company received \$69,989 from Coalspur with respect to the Royalties Receivable on June 30, 2021.

On September 30, 2021, the Company received the quarterly payment of \$625,000 from Coalspur Mines (Operations) Ltd. as per the terms of the Third Amended and Restated Transfer of Leases Agreement between Coalspur and the Company.

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

Covid-19

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

Exploration and mining operations in Canada have been affected including access to properties and an inability to create physical distancing. However, the future impact of the outbreak 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.