

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

Consolidated Tanager Limited

Condensed Interim Financial Statements

For the three and six months ended December 31, 2020

(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.

E. Clifton
President and Chief Executive Officer

C. F. Watson
Secretary-Treasurer

Dated: February 23, 2021
Toronto, Canada

Consolidated Tanager Limited

Condensed Interim Statements of Financial Position
(unaudited)

		As at Dec 31, 2020	As at June 30, 2020
Assets			
Current assets			
Cash and cash equivalents	(note 2)	5,648,886	6,474,025
Short term investments		889,112	887,882
Marketable securities		1,249,628	1,012,943
Accounts receivable		42,946	13,427
Interest on property rights proceeds		400,391	316,953
Property rights proceeds	(note 6)	1,875,000	5,000,000
Royalties receivable	(note 6)	81,179	289,751
Income taxes receivable		584,154	-
Prepaid expenses		14,520	14,148
Total current assets		10,785,816	14,009,129
Mining properties	(note 4)	2	2
Total assets		10,785,818	14,009,131
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(note 5)	44,378	55,191
Income taxes payable			2,807,720
Total current liabilities		44,378	2,862,911
Equity			
Share capital	(note 6)	507,501	507,501
Contributed surplus		339,878	339,878
Accumulated other comprehensive income		103,860	(132,826)
Retained earnings		9,790,201	10,431,667
Total equity		10,741,440	11,146,220
Total liabilities and equity		10,785,818	14,009,131

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

APPROVED ON BEHALF OF THE BOARD on February 27, 2020

(signed) "C. Clifton"

E. Clifton

(signed) "C.F. Watson"

C.F. Watson

Consolidated Tanager Limited

Condensed Interim Statement of Changes in Equity
(unaudited)

	<u>Reserves</u>				Total
	Share Capital	Contributed Suplus	Accumulated Other Comprehensive Gain (Loss)	Retained Earnings	
Balance, July 1, 2019	507,501	339,878	9,055	3,126,556	3,982,990
Net income for the period				7,728,311	7,728,311
Unrealized gain on marketable securities			23,390		(52,377)
Dividends paid (note 6)				(268,698)	(268,618)
Balance, December 31, 2019	507,501	339,878	32,445	10,586,169	11,465,993
Dividends paid				(805,932)	(805,932)
Unrealized (loss) on marketable securities			(165,271)	-	(165,271)
Net income for the period				651,430	651,430
Balance, June 30, 2020	507,501	339,878	(132,826)	10,431,667	11,146,220
Net income (loss) for the period				164,387	164,387
Unrealized gain on marketable securities			236,686		236,686
Dividends paid (note 6)				(805,853)	(805,853)
Balance, December 31, 2020	507,501	339,878	103,860	9,790,201	10,741,440

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 Loss

(unaudited)

	3 mos Dec 31 2020	3 mos Dec 31 2019	6 mos Dec 31 2020	6 mos Dec 31 2019
Income				
Royalties earned	(note 6) 81,164	317,889	204,547	553,082
Property rights proceeds	(note 6) -	10,000,000	-	10,000,000
Interest on property rights proceeds	27,813	84,767	83,438	84,767
Interest & dividends	28,933	23,045	59,090	45,861
Total income	137,910	10,425,701	347,075	10,683,710
Expenses				
General corporate	(note 5) 26,522	49,873	52,515	83,777
Professional services	12,435	43,463	25,098	71,145
Property maintenance	14,134	10,840	25,075	21,477
Total expenses	53,091	104,176	102,688	176,399
Net (Loss) income before income taxes	84,819	10,321,525	244,387	10,507,311
Income taxes:				
Current income tax expense	(note 2) 25,000	2,683,000	80,000	2,779,000
Net income before other comprehensive income (loss)	59,819	7,638,525	164,387	7,728,311
Unrealized gain (loss) on marketable securities	186,423	(34,062)	236,686	23,390
Comprehensive income (loss) for the period	246,242	7,604,463	401,073	7,751,701
Basic and diluted income (loss) per share	0.046	1.415	0.075	1.443
Weighted average number of shares	5372350	5372350	5372350	5372350

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

Consolidated Tanager Limited

Condensed Interim Statements of Cash Flows
For the six month periods ended December 31
(unaudited)

	2020	2019
Cash flow from operating activities		
Net income (loss) for the period	164,387	7,728,311
Item not affecting cash and cash equivalents		
Unrealized gain on marketable securities	236,686	23,390
Changes in net working capital		
Accounts receivable	(29,519)	(24,289)
Royalties receivable	208,572	(317,898)
Interest receivable on property rights proceeds	(83,438)	(84,767)
Property rights proceeds	3,125,000	(10,000,000)
Prepaid expenses	(372)	4,468
Income taxes payable	(3,391,874)	2,748,400
Accounts payable and accrued liabilities	(10,812)	(50,205)
	218,630	27,410
Cash flow from investing activities		
Unrealized (gain) loss in marketable securities	(236,686)	(23,390)
Short term investments	(1,230)	90,730
	(237,916)	67,340
Cash flow from financing activities		
Payment of dividends	(805,853)	(268,698)
Net increase (decrease) in cash	(825,139)	(173,948)
Cash and cash equivalents, beginning of period	6,474,025	2,061,836
Cash and cash equivalents, end of period	5,648,886	1,887,888

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

1. Business of the Company

Consolidated Tanager Limited (the "Company") is incorporated under the Business Corporation Act of Ontario with a registered address at Suite 331 1900 Bayview Avenue, Toronto, Ontario. The Company has sold its five coal leases in Hinton Alberta with payments being made on a quarterly basis until September 30, 2021 (refer to note 6). The Company is receiving a 1% royalty on coal sales proceeds arising from coal mined from the five leases. The Company holds other resource properties, some of which have exploration carried out on them. The Company seeks partners to carry out further exploration or to sell or farm them out.

2. Significant Accounting Policies

Statement of Compliance with International Financial Reporting Standards ("IFRS")

The Company has prepared these condensed interim financial statements in compliance with International Account Standard 34 – Interim Financial Reporting ("IAS 34").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of significance are the estimates and assumptions used in the recognition and measurement of items included in Significant accounting judgments and estimates below.

Short-term investments

Short-term investments consist of guaranteed investment certificates ("GIC's) that have maturities of one year or less, and units in money market mutual funds. Short-term investments are valued at cost plus accrued interest, which approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of December 31, 2020, and June 30, 2020 the Company had \$5,648,886 and \$6,474,025 respectively of cash equivalents in the form of flexible and redeemable guaranteed investment certificates.

Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence. The equity securities are designated as Fair Value through Other comprehensive Income and measured at fair value. Unrealized gains and losses due to period end revaluation to fair value are recorded as other comprehensive income or loss.

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

Revenue recognition

Revenue consists of royalties on coal sales, dividends from marketable securities and interest income on outstanding property rights proceeds receivable and on cash and cash equivalents investments, recognized on an accrual basis as earned.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions as at December 31, 2020, and June 30, 2020.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Income (Loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

Significant accounting judgments and estimates

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of 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.

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

Segment reporting

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

3. Short Term Investments

At December 31, 2020 the Company had \$889,112 (June 30, 2020, \$887,882) of short-term investments. As at December 31, 2019, the Company had short-term investments of \$730,136.

4. Marketable Securities

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

	Market Value December 31, 2020	# of shares	Market Value June 30, 2020	# of shares
Equity Securities –				
Taranis Resources Inc.	\$ 264,000	2,200,000	\$ 176,000	2,200,000
Bank of Nova Scotia	282,768	4,110	230,900	4,110
Royal Bank of Canada	363,973	3,480	320,543	3,480
Toronto Dominion Bank	<u>338,887</u>	4,712	<u>285,500</u>	4,712
	\$1,249,628		\$1,012,943	

5. Mining Properties

The Company's investments in the following properties were each written down to \$1 in a prior year.

Timmins Area of Ontario

The Company owns 88 patented mining claims in the Timmins area. On 8 additional claims it holds a production royalty, adjusted for a gold price variance from U.S. \$350 per ounce, on rock treated in excess of the first 50,000 tons processed.

Hinton Coal Property of Alberta

The Hinton Coal property comprises 5 Alberta Crown coal mining leases located by the main line of the C.N.R. near Hinton. The property contains a deposit of low-sulphur thermal coal. In 2009, the Company entered into an agreement with KC Euroholdings S.a.r.l. ("KCE") to transfer the rights of the Hinton Coal property to KCE in consideration for three scheduled cash payments and the reservation of a 1.0% of Sales Revenue royalty on all future coal sales from the property. An initial cash payment of \$2,000,000 was received by the Company on execution of the agreement. In accordance with the agreement, and upon completion of a favourable feasibility study during in 2012, the Company received a second cash payment of \$6,000,000. The Company was entitled to receive a further payment of \$10,000,000 on or before the earlier of February 19, 2016 or on the placing of the property into commercial production at a rate of at least 90,000 tonnes per month. The contract terms were such that should this final payment not be made ownership of the property is retained by the Company. The agreement technically expired as of March 31, 2016, however, the Company entered into a further agreement with KCE the successor company to Coalspur and in consideration for \$400,000 per annum payable by KCE to the Company the agreement extends KCE's option to acquire

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

100% working interest in Tanager's five coal leases until March 31, 2023. In accordance with this agreement Tanager received \$800,000 during the fiscal year ended June 30, 2017 to maintain the option for both 2016 and 2017, and an additional \$400,000 was received on March 31, 2018 and \$400,000 on February 19, 2019 (previous fiscal year) to maintain the option for 2019.

KCE made significant progress on the property in preparation for mining coal, and commenced commercial production 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 the payment of \$10,000,000 due to the Company.

An Amended and Restated Transfer of Leases Agreement was signed between Coalspur Mines (Operations) Ltd. and the Company which agreed to the quarterly payment (\$2,500,000) of the \$10,000,000 commencing March 31, 2020 and finishing no later than December 31, 2020. In addition, interest accruing on the unpaid balance will be paid no later than December 31, 2020. (The first, second and third quarterly payments of \$2,500,000 each were received prior to September 30, 2020).

A Second Amended and Restated Transfer of Leases Agreement was signed which agreed to the payment of the fourth quarterly payment to be partially deferred and to be paid \$625,000 per quarter commencing December 31, 2020 (which in fact was received and is reflected in the accompanying balance sheet) and ending no later than September 30, 2021. Interest accruing on this final balance, and previous accrued interest is to be paid no later than September 30, 2021.

On January 31, 2021 KCE paid the royalty of 1% of the total sales generated from the sale of coal for the quarter ended December 31, 2020 in the amount of \$81,179 (June 30 - \$289,751).

6. Related Party Transactions

The Company incurred expenses of \$0 in management fees in 2020 (December 31, 2019 - \$20,000) to the President for services provided to the Company. This expense is included in general corporate expenses.

The Company incurred expenses of \$8,000 for administrative services in 2020 (December 31, 2019 - \$8,500) to the Secretary Treasurer for services provided to the Company. These expenses are included in professional services.

The Company incurred expenses of \$0 for legal services in 2020 (December 31, 2019 \$41,850) to a legal firm in which a director of the Company was a partner. These expenses are included in professional services.

The Company incurred expenses of \$2,513 for professional consulting fees in 2020 (December 31, 2019 - \$4,787) to a director. These expenses are included in professional fees.

In total, directors were paid \$22,000 for directors' fees in the quarter ended December 31, 2020 (December 31, 2019 - \$24,000).

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

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.

7. Share Capital Authorized

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

On October 7, 2020 the Company declared a special eligible dividend of \$0.15 per issued and outstanding common share for a total of \$806,094. The dividend was paid December 4, 2020 to all shareholders of record as of the close of business on November 13, 2020.

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

On November 1, 2019, the Company declared a special eligible dividend of \$0.05 per issued and outstanding common share for a total of \$268,536. The dividend was paid on December 15, 2019 to all shareholders of record as of the close of business December 2, 2019.

8. 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 December 31, 2020, and June 30, 2020 the Company did not have any stock options outstanding (none outstanding as of June 30, 2019).

9. 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 adjusts it, based upon funds available to the Company or in response to changes in economic conditions and the risk characteristics of the underlying assets.

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

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 December 31, 2020.

10. 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 cash equivalents, short-term investments, royalties receivable, interest receivable on property rights, and property rights receivable. 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

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital to meet its liquidity requirements. As of September 30, 2020, and June 30, 2020 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 equivalent 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 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.

11. Subsequent Events

On January 31, 2021, the Company received \$81,179, from Coalspur with respect to the Royalties Receivable on December 31, 2021 (refer to Statement of Financial Position – Current assets).

On February 5, 2021 The Company was advised by the Cline Group/Coalspur that due to the fact that the Alberta Energy Regulator (AER) is not issuing a permit to Coalspur for tailings disposal, they are forced to idle the operation until a permit can be obtained from AER.

12. 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

Consolidated Tanager Limited

Notes to Financial Statements

December 31, 2020

(Unaudited)

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 is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus.