Consolidated Tanager Limited

Financial Statements

(Stated in Canadian Dollars)

June 30, 2021 and 2020

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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, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

October 7, 2021 — Licensed Public Accountants

Statements of Financial Position
June 30, 2021 and 2020

		2021		2020
Assets				
Current assets				
Cash and cash equivalents	**$**	**5,057,527**	$	6,474,025
Short term investments		**498,234**		887,882
Marketable securities *(note 7)*		**3,435,916**		1,012,943
Royalties receivable *(note 4)*		**69,989**		289,751
Interest receivable on property rights *(note 4)*		**442,109**		316,953
Property rights receivable *(note 4)*		**1,250,000**		5,000,000
Income taxes receivable		**49,296**		-
Amounts receivable		**4,434**		13,427
Prepaid expenses		**26,783**		14,148
		10,834,288		14,009,129
Mining properties *(note 4)*		**2**		2
	$	**10,834,290**	$	14,009,131
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities *(note 5)*	**$**	**51,909**	$	55,191
Income taxes payable		**-**		2,807,720
		51,909		2,862,911
Non-current liabilities				
Deferred tax liability (*note 8)*		**35,010**		-
		86,919		2,862,911
Equity				
Share capital *(note 6)*		**507,501**		507,501
Contributed surplus		**339,878**		339,878
Accumulated other comprehensive income (loss)		**382,759**		(132,826)
Retained earnings		**9,517,233**		10,431,667
		10,747,371		11,146,220
	$	**10,834,290**	$	14,009,131

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

Subsequent events (note 12)

Approved by the Board

Signed: ***"E. Clifton*** Signed: ***"C. F. Watson"***

Director Director

Statements of Changes in Equity
for the years ended June 30, 2021 and 2020

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, June 30, 2019	**$ 507,501**	**$ 339,878**	**$ 9,055**	**$ 3,126,556**	**$ 3,982,990**
Dividends paid	-	-	-	(1,074,630)	(1,074,630)
Unrealized loss on marketable securities	-	-	(141,881)	-	(141,881)
Net income for the year	-	-	-	8,379,741	8,379,741
Balance, June 30, 2020	**507,501**	**339,878**	**(132,826)**	**10,431,667**	**11,146,220**
Dividends paid	-	-	-	(1,208,782)	(1,208,782)
Unrealized gain on marketable securities	-	-	515,585	-	515,585
Net income for the year	-	-	-	294,348	294,348
Balance, June 30, 2021	**$ 507,501**	**$ 339,878**	**$ 382,759**	**$ 9,517,233**	**$ 10,747,371**

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

Statements of Operations and Comprehensive Income
for the years ended June 30, 2021 and 2020

		2021		2020
Income				
Interest income on property rights (*note 4)*	**$**	**125,156**	$	316,953
Royalty income (*note 4)*		**434,317**		1,113,192
Property rights (*note 4)*		**-**		10,000,000
Investment income		**132,326**		89,943
		691,799		11,520,088
Expenses				
General corporate *(notes 5 and 9)*		**147,328**		229,245
Property maintenance		**58,383**		40,630
		205,711		269,875
Income before income taxes		**486,088**		11,250,213
Income taxes				
Deferred tax recovery		**35,010**		-
Current income tax expense *(note 8)*		**156,730**		2,870,742
		191,740		2,870,742
Net income before other comprehensive income		**294,348**		8,379,741
Comprehensive income				
To not be subsequently reclassified to net income:				
Unrealized gain (loss) on marketable securities arising during the year		**515, 585**		(141,881)
Comprehensive income for the year	**$**	**809,933**	$	8,237,860
Basic and diluted net income per common share	**$**	**0.06**	**$**	1.56
Weighted average number of common shares outstanding - basic and diluted		**5,372,350**		5,372,350

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

Statements of Cash Flows
for the years ended June 30, 2021 and 2020

		2021		2020
Cash flow from operating activities				
Net income	**$**	**294,348**	$	8,379,741
Changes in net working capital:				
Interest on property rights receivable		**(125,156)**		(316,953)
Royalties receivable		**219,762**		(289,751)
Income taxes receivable		**(49,296)**		-
Property rights receivable		**3,750,000**		(5,000,000)
Amounts receivable		**8,993**		9,707
Prepaid expenses		**(12,635)**		(317)
Accounts payable and accrued liabilities		**(3,281)**		(36,310)
Deferred taxes payable		**35,010**		-
Income taxes payable		**(2,807,720)**		2,807,720
		1,310,025		5,553,837
Cash flow from investing activity				
Purchase of marketable securities		**(1,907,389)**		-
Redemption/Purchase of GIC		**389,648**		(67,018)
		(1,517,741)		(67,018)
Cash used in financing activity				
Dividends paid		**(1,208,782)**		(1,074,630)
Increase (decrease) in cash and cash equivalents		**(1,416,498)**		4,412,189
Cash and cash equivalents, beginning of year		**6,474,025**		2,061,836
Cash and cash equivalents, end of year	**$**	**5,057,527**	$	6,474,025

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

Notes to the Financial Statements
June 30, 2021 and 2020

1. Business of the Company

Consolidated Tanager Limited (the "Company" or "Tanager") is incorporated under the Business Corporation Act of Ontario with a registered address at Suite 331, 1900 Bayview, 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 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 (previously the International Financial Reporting Interpretations Committee, ("IFRIC")).

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 7, 2021.

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.

2. Significant Accounting Policies - continued

Financial instruments

IFRS 9 - Financial instruments (“IFRS 9”) includes requirements and guidance for classification, recognition and measurement, impairment, de-recognition and general hedge accounting.

Financial assets

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 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 statements of operations and comprehensive income.

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

ii. Amortized cost

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, royalties receivable, interest receivable on property rights, property rights receivable, and amounts receivables, excluding HST, are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the market price of the underlying securities.

The Company’s marketable securities are classified as financial assets measured at FVTOCI.

Financial liabilities

All financial liabilities are recognized initially at fair value and in the case of loans and borrowing, net of directly attributable transaction costs.

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.

2. Significant Accounting Policies - continued

Financial instruments – continued

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.

The Company's accounts payable and accrued liabilities approximate their amortized costs.

ii. Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they do not fall into amortized cost detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through statement of operation and comprehensive income, 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 the statements of operations and comprehensive income. 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 the statements of operations and comprehensive income.

Expected credit loss impairment model

IFRS 9 includes a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

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.

2. Significant Accounting Policies – continued

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, 2021, and 2020, 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, 2021 and 2020 the Company had $5,057,527 and $6,474,025 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 through other comprehensive income. 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 net income (loss). Cumulative gains and losses are transferred from accumulated other comprehensive income to retained earnings upon derecognition of the investment.

2. Significant Accounting Policies - continued

Revenue recognition

The Company recognizes revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Company uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular obligation is transferred to the customer.

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

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, 2021 and 2020.

Notes to the Financial Statements
June 30, 2021 and 2020

2. Significant Accounting Policies - continued

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 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 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.

3. 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, 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 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.

4. Mining Properties

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 favorable 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 2019, the Company received an additional $400,000 to maintain the option for 2018 and 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 lead 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 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, beginning on November 9, 2019 will accrue and compound quarterly, at the rate per annum equal to the CIBC Prime Rate plus 2.00% on the unpaid balance and will be paid no later than December 31, 2020. The first and second quarterly payments of $2,500,000 each were received in the prior fiscal year and were reflected in the statements of financial position at June 30, 2020.

4. Mining Properties - continued

Hinton Coal Property of Alberta - continued

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 period ended June 30, 2021 have been accrued, on the statements of financial position as at June 30, 2021, and was received subsequent to year end (note 12).

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 of December 31, 2020 in the amount of $2,500,00 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 December 31, 2020, March 31, 2021, June 30, 2021 and September 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 were 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.

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.

5. Related Party Transactions and Balances

The Company incurred management fees of $NIL for the year ended June 30, 2021 (2020 - $20,000) to the President for services provided to the Company. These expenses are included in general corporate expenses.

The Company incurred legal fees of $NIL for the year ended June 30, 2021 (2020 - $61,925) to a legal firm owned by a former 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.

6. Share Capital

Authorized

As of June 30, 2021, and 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.

Issued

	Number		Amount
Balance, June 30, 2021 and 2020	**5,372,350**	**$**	**507,501**

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 December 15, 2019 to all shareholders of record as of the close of business December 2, 2019.

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 October 7, 2020, the Company declared a special eligible dividend of $0.15 per issued and outstanding common share for a total of $805,853. The dividend was paid December 4, 2020 to all shareholders of record as of the close on business November 13, 2020.

On April 9, 2021, the Company declared a special eligible dividend of $0.075 per issued and outstanding common share for a total of $402,930. The dividend was paid June 1, 2021 to all shareholders of record as of the close of business on May 15, 2021.

As of June 30, 2021, and 2020 there were no options or warrants outstanding.

7. Marketable Securities

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

		2021	**Number**		2020	Number
Equity Securities -						
Taranis Resources Inc.	**$**	**198,000**	2,200,000	$	176,000	2,200,000
Bank of Nova Scotia		**331,348**	4,110		230,900	4,110
Royal Bank of Canada		**437,053**	3,480		320,543	3,480
Toronto Dominion Bank		**409,331**	4,712		285,500	4,712
BCE Inc.		**278,142**	4,550		-	-
CI Financial Corp		**227,500**	10,000		-	-
Dream Industrial REIT		**267,400**	17,500		-	-
Enbridge Inc		**279,169**	5,625		-	-
Manulife Financial Corp		**256,200**	10,500		-	-
Northwest Healthcare		**222,775**	17,500		-	-
Pembina Pipeline Corp		**256,035**	6,500		-	-
TC Energy Corp		**272,963**	4,450		-	-
	$	**3,435,916**		$	1,012,943	

8. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020- 26.5%) to the effective tax rate for the years ended June 30 is as follows:

		2021		2020
Net income before provision for income taxes	**$**	**486,088**	$	11,250,213
Expected income tax expense	**$**	**128,810**	$	2,981,307
Difference in tax rates and other adjustments		**47,790**		(99,315)
Unrealized loss on marketable securities booked through OCI		**59,300**		(15,369)
Non-taxable Canadian dividend income		**(19,610)**		(11,520)
Change in tax benefits not recognized		**(24,550)**		15,369
Income tax provision	**$**	**191,740**	$	2,870,472
The Company's income tax is allocated as follows:				
Current tax expense	**$**	**156,730**	$	2,870,472
Deferred tax expense		**35,010**		-
	$	**191,740**	$	2,870,472

The following table summarizes the components of the deferred tax:

		2021		2020
Deferred tax assets:				
Capital losses carried forward	**$**	**9,010**	$	-
Deferred tax liability:				
Marketable Securities		**(44,020)**		-
Deferred tax liability – net	**$**	**(35,010)**	$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

		2021		2020
Balance at the beginning of the year	**$**	**-**	$	-
Recognized in profit/loss		**(35,010)**		-
Balance at the end of the year	**$**	**(35,010)**	$	-

8. Income Taxes -continued

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:

	2021	2020
Marketable securities	**$ -**	$ 132,830
Capital losses carried forward	**$ -**	$ 78,330

The capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

9. General Corporate Expenses

		2021		2020
Professional services	**$**	**49,908**	$	123,774
Directors fees		**25,000**		28,000
Interest on income taxes		**6,404**		-
Transfer agent fees		**21,293**		19,809
Insurance		**21,836**		16,614
General and administrative		**11,687**		31,241
Government fees		**5,376**		5,376
Shareholder information		**5,824**		4,431
	$	**147,328**	$	229,245

10. Capital Disclosures

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, 2021.

11. 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. The risk is managed through the use of major bank institutions which are high credit quality financial institutions as determined by rating agencies.

11. Financial Risk Factors - continued

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, 2021 and 2020 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 and on the interest on property rights receivable, as it is calculated based on CIBC's prime rate. 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.

12. Subsequent Events

i. On July 22, 2021, the Company received $69,989 from Coalspur with respect to the Royalties Receivable at June 30, 2021 (refer to Statements of Financial Position – current assets).
ii. On September 29, 2021, the Company received $625,000 from Coalspur with respect to the Third Amended and Restated Transfer of Leases Agreement.
iii. 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.