Morien Resources Corp.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Morien Resources Corp.

Opinion

We have audited the consolidated financial statements of Morien Resources Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of loss and comprehensive (loss) income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit 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. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 in the auditors' report.

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 IFRS, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Entity 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.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report is Douglas Reid.

KPMG LLP

Chartered Professional Accountants

Halifax, Canada

February 22, 2021

MORIEN RESOURCES CORP.

Consolidated Statements of Financial Position

(Canadian dollars)

	December 31 2020 $	December 31 2019 $
ASSETS		
Current assets		
Cash	**1,753,729**	3,239,321
Short-term investments	**894,349**	—
Trade receivables	**49,318**	310,511
Prepaid expenses	**27,436**	41,390
Non-current assets		
Investments [note 5]	—	—
TOTAL ASSETS	**2,724,832**	3,591,222
LIABILITIES		
Current liabilities		
Trade and other payables	**79,472**	123,758
Non-current liabilities		
Unearned revenue [note 6]	**373,159**	260,933
Total liabilities	**452,631**	384,691
SHAREHOLDERS' EQUITY		
Share capital [note 7]	**4,375,689**	4,526,090
Contributed surplus	**2,111,523**	1,921,847
Deficit	**(4,215,011)**	(3,241,406)
Total shareholders' equity	**2,272,201**	3,206,531
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,724,832**	3,591,222

Commitments [note 16]

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

Approved on behalf of the Board:

signed *"John P. A. Budreski"* ____________ *Director*

signed *"Mary C. Ritchie"* ____________ *Director*

MORIEN RESOURCES CORP.

Consolidated Statements of Loss and Comprehensive (Loss) Income

(Canadian dollars)

	For the Years Ended December 31	
	2020	2019
	$	$
Royalty revenue [note 10]	**249,235**	810,045
Operating expenses		
Corporate and administration [note 11]	**627,769**	700,258
Exploration and evaluation	**—**	138,495
Share-based compensation [note 8]	**189,676**	58,600
Foreign exchange loss	**19,314**	24,280
	836,759	921,633
Finance income	**26,690**	66,897
Loss from operations	**(560,834)**	(44,691)
Gain on sale of land [note 12]	**—**	938,007
Net and comprehensive (loss) income	**(560,834)**	893,316
Basic and diluted income (loss) per share	(0.01)	0.02
Weighted average number of common shares outstanding *[000's]*		
Basic	**52,026**	53,292
Diluted	**52,401**	53,398

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

MORIEN RESOURCES CORP.
Consolidated Statements of Changes in Equity
(Canadian dollars)

		Common shares	Contributed surplus	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance at January 1, 2019	53,131,114	4,026,932	2,109,815	(2,978,701)	3,158,046
Net and comprehensive income	—	—	—	893,316	893,316
Dividends paid to shareholders	—	—	—	(531,920)	(531,920)
Normal course issuer bid purchase of common shares	(1,830,500)	(148,035)	—	(624,101)	(772,136)
Options exercised	1,602,500	647,193	(246,568)	—	400,625
Share-based compensation	—	—	58,600	—	58,600
Balance at December 31, 2019	**52,903,114**	**4,526,090**	**1,921,847**	**(3,241,406)**	**3,206,531**
Net and comprehensive loss	**—**	**—**	**—**	**(560,834)**	**(560,834)**
Dividends paid to shareholders	**—**	**—**	**—**	**(132,155)**	**(132,155)**
Normal course issuer bid purchase of common shares	**(1,791,500)**	**(150,401)**	**—**	**(280,616)**	**(431,017)**
Share-based compensation	**—**	**—**	**189,676**	**—**	**189,676**
Balance at December 31, 2020	**51,111,614**	**4,375,689**	**2,111,523**	**(4,215,011)**	**2,272,201**

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

MORIEN RESOURCES CORP.

Consolidated Statements of Cash Flows

(Canadian dollars)

	For the Years Ended December 31	
	2020	2019
	$	$
OPERATING ACTIVITIES		
Net (loss) income for the period	**(560,834)**	893,316
Items not involving cash:		
Share-based compensation	**189,676**	58,600
Foreign exchange loss on financial assets	**19,314**	23,611
Additions to unearned revenue [note 6]	**112,226**	110,933
Net finance income	**(26,690)**	(66,897)
Gain on sale of land [note 12]	**-**	(938,007)
Changes in non-cash working capital:		
Trade receivables	**261,193**	32,082
Prepaid expenses	**13,954**	(25,672)
Trade and other payables	**(44,286)**	2,512
Cash (used in) provided by operating activities	**(35,447)**	90,478
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	**—**	400,625
Dividends paid	**(132,155)**	(531,920)
Purchase of shares for cancellation	**(431,017)**	(772,136)
Cash used in financing activities	**(563,172)**	(903,431)
INVESTING ACTIVITIES		
Short-term investments	**(894,349)**	—
Interest received	**26,690**	66,897
Proceeds on sale of land, net of transaction costs [note 12]	**—**	938,007
Cash (used in) provided by investing activities	**(867,659)**	1,004,904
Effect of exchange rate fluctuations on cash held in foreign currency	**(19,314)**	(23,611)
(Decrease) increase in cash	**(1,485,592)**	168,340
Cash, beginning of period	**3,239,321**	3,070,981
Cash, end of period	**1,753,729**	3,239,321

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

1. Nature of operations

Morien Resources Corporation ("Morien" or the "Corporation") is a corporation domiciled in Canada. The address of the Corporation's registered office is 1701 Hollis Street, Suite 800, Halifax, Nova Scotia, B3J 3M8. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019 comprise the Corporation and its subsidiary Advanced Primary Minerals USA Corp ("APMUSA"). The principal business of the Corporation is the identification and purchase of mineral projects.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as outlined in the CPA Canada Handbook.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2021.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Items included in the financial statements of the Corporation's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation.

c) Use of estimates and judgments

The preparation of the financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

2. Basis of presentation (continued)

The Corporation makes assumptions in applying valuation techniques including estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates behaviors and corporate performance. Such assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income taxes

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carryforwards, capital losses and temporary differences, are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes underlying the Corporation's royalties, commodity prices, reserves, capital expenditures, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or the entire carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

3. Summary of significant accounting policies

Except as described below under new standards and interpretations adopted, the accounting policies applied in these consolidated financial statements are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2019. The accounting policies have been applied consistently by the Corporation's subsidiary.

a) Basis of consolidation

The consolidated financial statements include those of Morien and its wholly owned subsidiary Advanced Primary Minerals USA Corp., incorporated under the laws of Delaware, USA.

i) Subsidiaries

Subsidiaries are those entities over which the Corporation has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Corporation controls another entity.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and cease to be consolidated from the date on which control is transferred out of the Corporation. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

3. Summary of significant accounting policies (continued)

ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from cumulative translation account to profit or loss on repayment of the monetary items.

ii) Foreign operations

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement presented are translated at monthly average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity ("cumulative translation account")

On the loss of control of a foreign operation, all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are recognized in the income statement as part of the gain or loss on sale.

c) Financial instruments

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

3. Summary of significant accounting policies (continued)

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Investments in common shares that have direct listings on an exchange are classified as Level 1.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. The principal temporary differences arise from tax losses carried forward and fair value adjustments on assets acquired in business combinations.

3. Summary of significant accounting policies (continued)

e) Share-based compensation

Equity-settled share-based awards to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

f) Revenue

Revenue is comprised of revenue earned in the period from royalty interests. The Corporation has identified the performance obligations in its royalty contracts and recognizes revenue when a performance obligation is satisfied.

In accordance with IFRS 15, the Corporation recognizes revenue to depict the transfer of the relevant commodity to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those commodities. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement.

Under the terms of the Black Point Aggregate Project ("Black Point") royalty agreement with Vulcan Materials Company ("Vulcan"), the Corporation receives advanced minimum royalty payments ("Advanced Payments") until the project goes into production. Black Point is not currently in production; at such time when production starts, the unearned revenue from the Advanced Payments will be recorded as revenue as the production royalties are earned (see note 6 – Unearned revenue).

Under the terms of the Donkin royalty agreement with Kameron, the coal sales price used to calculate Morien's royalty revenue is subject to certain deductions for handling and transportation costs.

g) Earnings (loss) per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, thereby assuming that outstanding stock options with an average market price that exceeds the average exercise prices of the options are exercised and the proceeds are used to repurchase shares of the Corporation at the average market price of the common shares for the year.

3. Summary of significant accounting policies (continued)

h) Financial instruments

The Corporation's financial instruments consist of cash, short-term investments, investments, trade receivables and trade and other payables and are accounted for as follows:

Financial Assets	
Cash	Amortized cost
Short-term investments	Amortized cost
Investments	Fair value through profit and loss ("FVTPL") or election at fair value through other comprehensive income ("FVOCI")
Trade receivables	Amortized cost
Financial Liabilities	
Trade and other payables	Amortized cost

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial assets or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation classifies and measures financial assets and liabilities on initial recognition as described below:

- Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days and are classified as and measured at amortized cost.
- Short-term investments include term deposits, treasury bills and money market investments with original maturities of greater than 90 days and are classified as and measured at amortized cost.
- Trade receivables are classified as and measured at amortized cost using the effective interest method less any allowance for impairment. The Corporation uses the expected credit loss ("ECL") model in assessing impairment. This impairment model is applied at each balance sheet date. The Corporation uses a practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. Impairment losses, if incurred, would be recorded in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

3. Summary of significant accounting policies (continued)

- Investments, including equity instruments of non-public entities, are measured as FVTPL and are recorded at fair value on settlement date, net of transaction costs, unless the asset is not held for trading purposes and the Corporation makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis. Subsequent to initial recognition, changes in fair value are recognized in income.
- Trade and other payables are classified and measured at amortized cost. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

4. Future changes in accounting policies

The following new amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated statements:

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. Morien will assess the financial impact of the amendments and expects to apply the amendments at the effective date.

5. Investments

As the result of a 2017 reorganization of a publicly traded company, shares of which were held by Morien, the Corporation received non-public entity shares that were ascribed a $nil fair value when received. Morien sold the shares in the publicly traded company in 2018 and retained the non-public entity shares that were subsequently split into three unlisted companies in 2019. Due to a lack of market information and lack of observable inputs to determine fair value, management has ascribed a $nil fair value in the Level 3 fair value hierarchy as at December 31, 2020 and 2019 (see note 15) and elected to account for the investments at fair value through profit and loss.

The Corporation holds the investments with a goal of appreciation in value of the investments in the event of public listings or other transactions. However, due to current market conditions and the unlikely event of disposition of any or all of the shares in the following year 2021, the investments are classified as non-current assets.

6. Unearned revenue

The Corporation received advanced payments in 2020 of $112,226 (2019 – $110,933), in relation to its interest in Black Point. All advanced payments will be credited against future production royalties from Black Point and are therefore recorded as unearned revenue until such time Black Point begins production. The balance of unearned revenue relates solely to the cumulative Black Point advanced payments received through to December 31, 2020. They are classified as long-term liabilities in the likelihood production at Black Point will not occur in the next fiscal year.

(Canadian dollars)

7. Share capital

The Corporation has an unlimited number of common shares authorized for issue without par value. The number of common shares outstanding at year-end is as follows:

	2020		2019	
	Shares	**$**	Shares	$
Issued and outstanding at January 1	**52,903,114**	**4,526,090**	53,131,114	4,026,932
Normal course issuer bid purchases	**(1,791,500)**	**(150,401)**	(1,830,500)	(148,035)
Stock options exercised	**—**	**—**	1,602,500	647,193
Issued and outstanding at December 31	**51,111,614**	**4,375,689**	52,903,114	4,526,090

Under the terms of a normal course issuer bid, Morien purchased and cancelled 1,791,500 shares in the year ended December 31, 2020 (2019 – 1,830,500) at a total cost of $431,017 (2019 – $772,136), including $9,229 in transaction costs (2019 – $10,389). The total cost of $431,017 reduces share capital by $150,401 (2019 – $148,035) and increases the deficit by $280,616 (2019 – $624,101).

The Corporation declared and paid quarterly dividends of $0.0025 per share in 2020 for total dividends paid of $132,155 (2019 – $531,920).

8. Stock options and per share amounts

(a) Stock options

The Corporation has an incentive stock option plan whereby it can grant options to employees, officers, directors and consultants of Morien to acquire up to 10% of the outstanding shares at the time of grant. The Board of Directors of the Corporation shall determine the exercise price, term and vesting provisions of options granted. Under the Corporation's stock option plan, the exercise price of each option may not be less than the market price of its shares at the date of grant less a discount permitted by the TSX Venture Exchange ("TSX-V"). Options granted under the plan will have a term not to exceed 5 years so long as the Corporation is classified as a Tier 2 issuer by the TSX-V.

The changes in stock options for the years ended December 31, 2020 and 2019 were as follows:

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2019	4,192,500	0.44
Granted	200,000	0.48
Exercised	(1,602,500)	0.25
Expired	(60,000)	0.43
Outstanding and exercisable at December 31, 2019	2,730,000	0.56
Granted	1,800,000	0.20
Outstanding and exercisable at December 31, 2020	**4,530,000**	**0.42**

During the year ended December 31, 2020, the Corporation received $ nil proceeds (2019 – $400,625) on the exercise of options.

(Canadian dollars)

8. Stock options and per share amounts (continued)

The following table summarizes information concerning outstanding and exercisable options at December 31, 2020:

Expiry date	Number of options outstanding	Weighted average exercise price $	Remaining contractual life (years)
January 26, 2021	125,000	0.22	0.07
June 30, 2021	150,000	0.31	0.50
May 11, 2023	2,255,000	0.60	2.36
January 7, 2024	200,000	0.48	3.02
May 20, 2025	1,800,000	0.20	4.39
	4,530,000	**0.42**	**3.07**

(b) Share-based compensation

During 2020, 1,800,000 options granted to officers and directors gave rise to share-based compensation of $189,676. During 2019, 200,000 options granted to an officer gave rise to share-based compensation of $58,600. The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

	For the years ended December 31	
	2020	2019
Share price at grant date	$0.17	$0.46
Exercise price	$0.20	$0.48
Risk-free interest rate	0.41%	1.91%
Expected dividend yield	1.81%	2.19%
Expected life (years)	5.0	5.0
Expected volatility	95%	98%
Weighted average grant date fair value	$0.11	$0.29

Expected volatility is estimated by considering historic average share price volatility. All options granted in 2020 and 2019 vested immediately and have a five-year term.

(c) Diluted earnings per share amounts

Diluted earnings per share is calculated based on the following:

	For the years ended December 31	
	2020	2019
Net (loss) income for the year	**($ 560,834)**	$ 893,316
Basic weighted average number of shares	**52,026,368**	53,291,674
Basic (loss) earnings per share	**($ 0.01)**	$ 0.02
Effect of dilutive stock options	**375,000**	106,818
Diluted weighted average number of shares	**52,401,368**	53,398,492
Diluted (loss) earnings per share	**($ 0.01)**	$ 0.02

(Canadian dollars)

8. Stock options and per share amounts (continued)

The following table lists the number of stock options excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the shares of $0.25 during the year ended December 31, 2020 (2019 – $0.44).

	For the years ended December 31	
	2020	2019
Stock options	**2,605,000**	2,455,000

9. Income taxes and deferred tax liability

The Corporation's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes as a result of the following:

	For the years ended December 31	
	2020	2019
	$	$
Income (loss) before income taxes	**(560,834)**	893,316
Statutory tax rates	**29.5%**	31%
Income taxes (recovery) computed at the statutory rates	**(165,446)**	276,928
Benefit of tax deductions not recognized	**106,221**	(233,465)
Expenses not deductible for tax purposes	**59,409**	15,305
Effect of foreign tax rates	**(184)**	(58,768)
Provision for income taxes	**—**	—

The enacted or substantively enacted tax rate in Canada of 29.50% (2019 - 31.0%) and in the USA of 24.65% (2019 – 24.65%) where the Corporation operates are applied in the tax provision calculation.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and (liabilities) are presented below:

	For the years ended December 31	
	2020	2019
	$	$
Non-capital losses carried forward	**190,617**	233,275
Unrealized foreign exchange gains	**(190,617)**	(233,275)
	—	—

(Canadian dollars)

9. Income taxes and deferred tax liability (continued)

The following temporary differences, capital and non-capital losses have not been recognized in the consolidated financial statements.

	Canada	**USA**	**2020 Total**	Canada	USA	2019 Total
	$	$	$	$	$	$
Non-capital losses carried forward	**4,566,136**	**10,174,899**	**14,741,035**	4,233,011	10,266,927	14,499,938
Property, plant & equipment	**9,834**	**—**	**9,834**	9,834	—	9,834
Share issuance costs	**5,696**	**—**	**5,696**	11,577	—	11,577
Intangible assets	**724,214**	**49,878**	**774,092**	724,214	173,095	897,309
Resource properties	**1,128,299**	**—**	**1,128,299**	1,128,299	—	1,128,299
Unearned revenue	**373,159**	**—**	**373,159**	260,933	—	260,933
	6,807,338	**10,224,777**	**17,032,115**	6,367,868	10,440,022	16,807,890

As at December 31, 2020, the Corporation has non-capital losses available to be carried forward and applied against taxable income of future years. The non-capital losses expire from 2027 to 2040.

10. Royalty revenue

	For the years ended December 31	
	2020	2019
	$	$
Donkin Mine (Kameron Collieries)	**249,235**	810,045

The Corporation owns a life-of-mine, gross production royalty for Donkin of 2% on the revenue from the first 500,000 tonnes of coal sales per calendar quarter, net of certain coal handling and transportation costs, and 4% on the revenue from any coal sales from quarterly tonnage above 500,000 tonnes, net of certain coal handling and transportation costs. The Donkin royalty is payable to the Corporation on a quarterly basis based on sales from production from the mine.

On March 30, 2020, Kameron Collieries announced that it was ceasing production operations at the Donkin Mine due to adverse geologic conditions. The Mine has not been sealed and is being maintained during an idled phase of care and maintenance for an indeterminate period of time.

The Corporation owns a life-of-mine production royalty for Black Point operated by Vulcan. In 2017, Vulcan began making quarterly Advanced Payments to the Corporation related to Black Point. In accordance with IFRS 15, the quarterly advanced payments received from Vulcan are reflected in unearned revenue (see note 6 – Unearned revenue).

(Canadian dollars)

11. Corporate and administration expenses

	For the years ended December 31	
	2020	2019
	$	$
Employee and service agreement fees	**335,456**	375,257
Investor relations and communications	**73,850**	99,922
Office and sundry	**37,741**	25,418
Professional fees	**75,200**	85,209
Regulatory compliance	**105,522**	114,452
	627,769	700,258

12. Gain on sale of land

On August 30, 2019, the Corporation sold its land holdings in Georgia for proceeds of US$764,694, or $1,017,106, before transaction costs. The cost basis of the land had been previously written off, producing a net cash gain of $938,007 after selling commissions and legal costs.

13. Related parties

Key management personnel:

The Corporation has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel was as follows:

	For the years ended December 31	
	2020	2019
	$	$
Director’s fees	**51,000**	48,000
Share-based compensation to directors	**79,029**	—
Share-based compensation to senior executive officers	**110,647**	58,600
Senior executive officers’ compensation and benefits	**298,073**	270,447
	538,749	377,047

Senior executive officers’ compensation and benefits includes the Executive Chair and President and CEO salaries and benefits and CFO contract costs.

During the year 2019, the Corporation extended a loan to a senior officer for the purpose of exercising their stock options. The loan was for a period of less than two months and repaid in whole at year-end.

14. Capital management

The Corporation’s objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to finance its business plans and ensure the Corporation remains in sound financial position. The Corporation defines capital that it manages as its equity attributable to common shareholders of the Corporation, which is comprised of share capital, contributed surplus, accumulated other comprehensive income and deficit.

(Canadian dollars)

14. Capital management (continued)

The Corporation manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust the capital structure, the Corporation (upon approval from its Board of Directors, as required) may issue additional capital, primarily through equity financings. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on acquisitions, major investments, as well as annual capital and operating budgets. The Corporation is not subject to externally imposed capital requirements.

15. Financial instruments

Credit risk:

Credit risk is the risk of financial loss to the Corporation of a customer or counterparty to a financial instrument fails to meet its obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2020	December 31, 2019
	$	$
Cash	**1,753,729**	3,239,321
Short-term investments	**894,349**	—
Trade receivables	**49,318**	310,511
	2,697,396	3,549,832

The Corporation manages credit risk by holding the majority of its cash with Schedule 1 Canadian banks. In 2019, the net proceeds for the sale of the Georgia land plus interest earned was held for four months in an American bank until January 2, 2020. Management believes the risk of loss to be low with Schedule 1 Canadian banks. Exposure on trade receivables is limited as all receivables are with one customer who the Corporation has strong working relationships with and is a reputable large international company with a history of timely payment. The Corporation has an allowance for doubtful accounts at year-end of $nil (2019 – $nil), as management considers the credit risk to be low. No amounts were written off during the year (2019 – $nil).

Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of December 31, 2020, the Corporation had a cash and short-term investments balance of $2,648,078 (December 31, 2019 – $3,239,321) to settle current liabilities of $79,472 (December 31, 2019 – $123,758).

COVID-19:

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was classified as a global pandemic, which has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

15. Financial instruments (continued)

Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown currently, as is the efficacy of the government's interventions.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Corporation has no interest-bearing debt and is not exposed to any significant interest rate risk.

(b) Foreign currency risk

Morien operates in Canada, and equity financings are in Canadian dollars. APMUSA is based in the United States but is not currently in active operations; therefore, the exposure to foreign currency risk is limited. The Corporation does not use any form of hedging against fluctuations in foreign exchange.

The Corporation's exposure to US dollar currency risk was as follows:

	December 31, 2020	December 31, 2019
	$	$
Cash	**39,735**	953,662
Short-term investments	**894,349**	—
	934,084	953,662

Sensitivity to a plus or minus 10% change in the US dollar exchange rate would affect comprehensive (loss) income and deficit by approximately $93,410 (2019 – $95,370).

(c) Commodity price risk

The Corporation is exposed to commodity price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Corporation monitors prices for the commodities underlying the Corporation's royalties. As at December 31, 2020, the Corporation has not entered into any hedging to offset risk.

Fair value

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities.

Assets measured at fair value on a recurring basis:

		December 31, 2020			December 31, 2019	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Short-term investments	**894,349**	**—**	**—**	—	—	—
Investments	**—**	**—**	**—**	—	—	—

The Corporation holds a short-term investment in a Schedule 1 Canadian bank USD instrument. The Corporation does not expect any liquidity issues associated with the instrument and therefore is classified in Level 1.

15. Financial instruments (continued)

The Corporation's other investments are in the equity of companies that do not have a quoted market price in an active market (see note 5). As a result, these instruments are classified within Level 3 of the fair value hierarchy. Management has assessed the value of the equity instruments at $nil fair value as at December 31, 2020 and 2019 due to the lack of market information and observable inputs.

The fair values of the Corporation's remaining financial assets and liabilities, which include cash, trade receivables and trade and other payables, are considered to approximate their carrying amounts due to their short-term nature and historically negligible credit losses.

16. Commitments

The Corporation leases shared office space on a short-term basis. Total future minimum lease payments for this space, due in 2021, are $2,028.