Morien Resources Corp.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Morien Resource Inc.

Opinion

We have audited the consolidated financial statements of Morien Resource Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of loss and other comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' 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, 2022 and December 31, 2021, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of investments

Description of the matter

We draw your attention to Note 2(c), Note 3(h), and Note 5 to the financial statements. The Entity has recorded investments held in two unlisted entities at cost of $nil. The Entity measures investments at fair value and cost may be an appropriate estimate of fair value if there is insufficient more recent information available. The Entity uses significant judgment in determining if there is sufficient more recent information available to measure a fair value other than cost.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investments as a key audit matter. This matter represented an area of risk of material misstatement and required significant auditor judgment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's analysis of $nil fair value by inspecting readily available sources of information related to the two unlisted entities including published financial statements, management discussion and analysis, press releases and correspondence between the Entity and the two unlisted entities' management.

We considered if management analyzed all relevant available information in determining if there was sufficient more recent information available to measure fair value at other than cost.

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 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 in the auditor's 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 International Financial Reporting Standards (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.

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 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 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 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.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Carey Blair.

KPMG LLP

Halifax, Canada

February 27, 2023

MORIEN RESOURCES CORP.

Consolidated Statements of Financial Position

(Canadian dollars)

	December 31 2022	December 31 2021
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**276,730**	1,233,577
Short-term investments	**985,764**	908,735
Trade and other receivables	**196,062**	6,103
Prepaid expenses	**25,888**	33,699
Investments [note 5]	**—**	173,000
Non-current assets		
Investments [note 5]	**—**	—
TOTAL ASSETS	**1,484,444**	2,355,114
LIABILITIES		
Current liabilities		
Trade and other payables	**83,740**	77,536
Non-current liabilities		
Unearned revenue [note 6]	**613,457**	488,826
Total liabilities	**697,197**	566,362
SHAREHOLDERS' EQUITY		
Share capital [note 7]	**4,424,098**	4,329,007
Contributed surplus	**2,053,754**	2,111,523
Deficit	**(5,690,605)**	(4,651,778)
Total shareholders' equity	**787,247**	1,788,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,484,444**	2,355,114

Commitments [note 15]

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

(Canadian dollars)

	For the Years Ended December 31	
	2022	2021
	$	$
Royalty revenue [note 10]	**173,249**	60,776
Operating expenses		
Corporate and administration [note 11]	**780,968**	519,652
Exploration and evaluation	**35,213**	88,248
Foreign exchange loss	**(60,947)**	5,287
	755,234	613,187
Finance income	**38,368**	14,543
Loss from operations	**(543,617)**	(537,868)
Realized loss on investments	**(1,504)**	—
Unrealized gain on investments	**—**	173,000
Net and comprehensive loss	**(545,121)**	(364,868)
Basic and diluted loss per share	**(0.01)**	(0.01)
Weighted average number of common shares outstanding *[000's]*		
Basic and diluted	**50,607**	50,941

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

MORIEN RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity

(Canadian dollars)

	Common shares		Contributed surplus	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance at January 1, 2021	51,111,614	4,375,689	2,111,523	(4,215,011)	2,272,201
Net and comprehensive loss	—	—	—	(364,868)	(364,868)
Normal course issuer bid purchase of common shares	(524,000)	(46,682)	—	(71,899)	(118,581)
Balance at December 31, 2021	**50,587,614**	**4,329,007**	**2,111,523**	**(4,651,778)**	**1,788,752**
Net and comprehensive loss	**—**	**—**	**—**	**(545,121)**	**(545,121)**
Dividends paid to shareholders	**—**	**—**	**—**	**(253,491)**	**(253,491)**
Options exercised	**175,000**	**142,769**	**(57,769)**	**—**	**85,000**
Normal course issuer bid purchase of common shares [note 7]	**(388,500)**	**(47,678)**	**—**	**(240,215)**	**(287,893)**
Balance at December 31, 2022	**50,374,114**	**4,424,098**	**2,053,754**	**(5,690,605)**	**787,247**

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	
	2022	2021
	$	$
OPERATING ACTIVITIES		
Net and comprehensive loss	**(545,121)**	(364,868)
Items not involving cash:		
Foreign exchange (gain) loss	**(60,947)**	5,287
Additions to unearned revenue [note 6]	**124,631**	115,667
Finance income	**(38,368)**	(14,543)
Unrealized gain on investments	**—**	(173,000)
Realized loss on investments	**1,504**	—
Changes in non-cash working capital:		
(Increase) decrease in trade and other receivables	**(189,959)**	43,215
Decrease (increase) in prepaid expenses	**7,811**	(6,263)
Increase (decrease) in trade and other payables	**6,204**	(1,936)
Cash used in operating activities	**(694,245)**	(396,441)
FINANCING ACTIVITIES		
Dividends paid	**(253,491)**	—
Proceeds on exercise of stock options	**85,000**	—
Purchase of shares for cancellation	**(287,893)**	(118,581)
Cash used in financing activities	**(456,384)**	(118,581)
INVESTING ACTIVITIES		
Increase in short-term investments	**(77,029)**	(14,386)
Proceeds on disposition of investments	**171,496**	—
Interest received	**38,368**	14,543
Cash provided by investing activities	**132,835**	157
Effect of exchange rate fluctuations on cash held in foreign currency	**60,947**	(5,287)
Decrease in cash	**(956,847)**	(520,152)
Cash and cash equivalents, beginning of year	**1,233,577**	1,753,729
Cash and cash equivalents, end of year	**276,730**	1,233,577

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, 2022 and 2021 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 interests and projects.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issuance by the Board of Directors on February 27, 2023.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where a different basis of accounting is identified in the summary of significant accounting policies.

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.

Investments

The Corporation's accounting policy is to account for investments as fair value through profit and loss. Cost may be an appropriate estimate of fair value if there is insufficient more recent information available to measure fair value. The Corporation uses significant judgment in determining if there is sufficient more recent information available to measure fair value at other than cost.

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.

2. Basis of presentation (continued)

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 income.

3. Summary of significant accounting policies

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, 2021. 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.

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

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.

3. Summary of significant accounting policies (continued)

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.

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.

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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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.

h) Financial instruments

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

Financial Assets	
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Amortized cost
Investments	Fair value through profit and loss ("FVTPL")

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 includes 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 and treasury bills with original maturities of greater than 90 days held for short term cash management purposes. Short term investments are classified and measures at amortized cost.
- Trade and other receivables are classified as and measured at amortized cost using the effective interest method less any allowance for impairment.

3. Summary of significant accounting policies (continued)

- The Corporation uses the expected credit loss ("ECL") model in assessing impairment of financial instruments measured at amortized cost or FVOCI. This impairment model is applied at each statement of financial position 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 loss 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 loss. 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.
- Investments, including equity instruments of non-public entities, are measured as FVTPL and are recorded at fair value on settlement date 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. The Corporation may determine cost to be an appropriate estimation of fair value if there is insufficient more recent information available to measure fair value.
- 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 standards or amendments under IFRS are not yet effective for the year ended December 31, 2022 and have not been applied in preparing these consolidated statements. The impact is expected to be negligible as the standards are not currently applicable.

New Standards or Amendments	**Effective date**
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising From a Single Transaction (Amendments to IAS 12)	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)	January 1, 2024

(Canadian dollars)

5. Investments

In 2016, the Corporation bought shares in Minco plc, a publicly traded company. As the result of a 2017 takeover of Minco plc, the Corporation received a combination of public shares in Dalradian Resources Inc. valued at market price and non-public entity shares in Buchans Resources Limited that were initially measured at a cost of $nil. Morien subsequently sold the public shares in Dalradian Resources Inc. in 2018. In 2019, Buchans Resources Limited was split into three unlisted companies: Buchans Resources Limited, Minco Exploration plc and Canadian Manganese Company Inc. Due to a lack of market prices and observable inputs for two of the unlisted entities, Buchans Resources Limited and Minco Exploration plc, the Corporation has estimated a $nil fair value on initial recognition of these two holdings. The Corporation has determined there is insufficient more recent information available to determine a fair value other than cost and has classified the fair value as Level 3 within the fair value hierarchy as at December 31, 2022 and 2021. The third company, Canadian Manganese Company Inc., was listed on the NEO Exchange subsequent to December 31, 2021. Management has accordingly determined a fair value of $0.20 per share taking into consideration the initial list price of $0.225 per share, less a discount based on liquidity considerations, for a total fair value of $173,000 and a corresponding unrealized gain was recognized at December 31, 2021. The fair value of this investment has been classified as a level 2 financial instrument within the fair value hierarchy given the listing event did not take place until after December 31, 2021.

In the first four months of 2022, all 865,000 shares of Canadian Manganese Company Inc. were disposed of for cash proceeds of $171,496, resulting in a realized loss of $1,504 at December 31, 2022.

6. Unearned revenue

The Corporation received advanced payments in 2022 of $124,631 (2021 – $115,667), 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, 2022. They are classified as long-term liabilities in the likelihood production at Black Point will not occur in the next fiscal year.

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:

	2022		2021	
	Shares	**$**	Shares	$
Issued and outstanding at January 1	**50,587,614**	**4,329,007**	51,111,614	4,375,689
Normal course issuer bid purchases	**(388,500)**	**(47,678)**	(524,000)	(46,682)
Stock options exercised	**175,000**	**142,769**	—	—
Issued and outstanding at December 31	**50,374,114**	**4,424,098**	50,587,614	4,329,007

Under the terms of a normal course issuer bid, Morien purchased and cancelled 388,500 shares in the year ended December 31, 2022 (2021 – 524,000) at a total cost of $287,893 (2021 – $118,581), including $16,108 in transaction costs (2021 – $5,391). The total cost of $287,893 reduces share capital by $47,678 (2021 – $46,682) and increases the deficit by $240,215 (2021 – $71,899).

No dividends were declared or paid in 2021. The Corporation declared and paid a special dividend of $0.005 per share in December 2022 for total dividends paid of $253,491.

(Canadian dollars)

8. 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, 2022 and 2021 were as follows:

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2021	4,530,000	0.42
Expired	(305,000)	0.30
Outstanding and exercisable at December 31, 2021	4,225,000	0.42
Exercised	(175,000)	0.49
Outstanding and exercisable at December 31, 2022	**4,050,000**	**0.42**

The following table summarizes information concerning outstanding and exercisable options at December 31, 2022:

Expiry date	Number of options outstanding	Weighted average exercise price $	Remaining contractual life (years)
May 11, 2023	2,100,000	0.60	.36
January 7, 2024	200,000	0.48	1.02
May 20, 2025	1,750,000	0.20	2.39
	4,050,000	**0.42**	**1.27**

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	
	2022 $	2021 $
Loss before income taxes	**(545,121)**	(364,868)
Statutory tax rates	**29.0%**	29.0%
Income taxes (recovery) computed at the statutory rates	**(158,085)**	(105,812)
Benefit of tax deductions not recognized	**157,320**	101,516
Expenses not deductible for tax purposes	**1,307**	4,416
Effect of foreign tax rates	**(542)**	(120)
Provision for income taxes (recovery)	**—**	—

(Canadian dollars)

9. Income taxes and deferred tax liability (continued)

The enacted or substantively enacted tax rate in Canada of 29.00% (2021 - 29.00%) and in the USA of 25.54% (2021 – 25.54%) 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	
	2022	2021
	$	$
Non-capital losses carried forward	**273,831**	209,916
Unrealized foreign exchange gains	**(273,831)**	(184,831)
Investments	**—**	(25,085)
	—	—

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

			2022			2021
	Canada	**USA**	**Total**	Canada	USA	Total
	$	$	$	$	$	$
Non-capital losses carried forward	**5,713,272**	**10,839,636**	**16,552,908**	4,898,341	10,177,916	15,076,257
Property, plant & equipment	**9,834**	**—**	**9,834**	9,834	—	9,834
Share issuance costs	**—**	**—**	**—**	22,972	—	22,972
Intangible assets	**724,214**	**—**	**724,214**	724,214	—	724,214
Resource properties	**1,128,299**	**—**	**1,128,299**	1,128,299	—	1,128,299
Unearned revenue	**613,457**	**—**	**613,457**	488,826	—	488,826
	8,189,076	**10,839,636**	**19,028,712**	7,272,486	10,177,916	17,450,402

As at December 31, 2022, 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 2042.

10. Royalty revenue

	For the years ended December 31	
	2022	2021
	$	$
Donkin Mine (Kameron Collieries)	**173,249**	60,776

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 had been maintained during an idled phase of care and maintenance until it reopened in September 2022 after receiving regulatory approval from the Nova Scotia provincial government. The Mine commenced commercial sales during the fourth quarter of 2022.

(Canadian dollars)

11. Corporate and administration expenses

	For the years ended December 31	
	2022	2021
	$	$
Employee costs	**485,990**	296,858
Investor relations and communications	**86,426**	42,984
Office and sundry	**38,667**	33,655
Professional fees	**67,464**	55,337
Regulatory compliance	**102,421**	90,818
	780,968	519,652

12. 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	
	2022	2021
	$	$
Director's fees	**48,000**	48,000
Senior executive officers' compensation and benefits	**482,206**	285,966
	530,206	333,966

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

13. 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, and deficit.

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.

14. 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, 2022	December 31, 2021
	$	$
Cash	**276,730**	1,233,577
Short-term investments	**985,764**	908,735
Trade and other receivables	**196,062**	6,103
	1,458,556	2,148,415

The Corporation manages credit risk by holding the majority of its cash with Schedule 1 Canadian banks. Management believes the risk of loss to be low with Schedule 1 Canadian banks. Exposure on trade receivables is limited as all trade 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 (2021 – $nil), as management considers the credit risk to be low. No amounts were written off during the year (2021 – $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, 2022, the Corporation had a cash and short-term investments balance of $1,262,494 (December 31, 2021 – $2,142,312) to settle current liabilities of $80,215 (December 31, 2021 – $77,536).

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.

(Canadian dollars)

14. Financial instruments (continued)

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

	December 31, 2022	December 31, 2021
	$	$
Cash and cash equivalents	**2,468**	6,343
Short-term investments	**985,764**	908,735
	988,232	915,078

Sensitivity to a plus or minus 10% change in the US dollar exchange rate would affect comprehensive loss and deficit by approximately $98,820 (2021 – $91,510).

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, 2022, the Corporation has not entered into any hedging to offset risk.

d) Equity price risk

The Corporation holds two (2021 – three) equity instruments in the mining category that do not have a quoted market price in an active market. Management has assessed the value of those instruments at $nil fair value as at December 31, 2022 and $173,000 fair value at December 31, 2021.

Fair value

During the year ended December 31, 2022 there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities. In the year ended December 31, 2021, an equity investment was transferred from Level 3 to Level 2.

Assets measured at fair value on a recurring basis:

		December 31, 2022			December 31, 2021	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Investments	**—**	**—**	**—**	—	173,000	—

The Corporation's investments as at December 31, 2022 are equity investments in two (2021 – three) separate entities (see note 5).

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

15. Commitments

The Corporation leases shared office space on a short-term basis. Total future minimum lease payments for this space, due in 2023, are $2,700.