



## **Management’s Discussion and Analysis Year Ended December 31, 2022**

This Management Discussion and Analysis (“MD&A”) dated February 27, 2023, relates to the operating results and financial condition of Morien Resources Corp. (“Morien” or the “Corporation”) and should be read in conjunction with the Corporation’s audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021 and the notes thereto.

The following discussion and analysis include consolidated financial information relating to the Corporation’s subsidiaries and is presented in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”) as outlined in the CPA Canada Handbook.

### **Forward-Looking Statements and Third-Party Information**

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion other than statements of historical fact, including those that address future milestone and royalty payments, the acquisition of additional mineral assets, expected working capital requirements, future purchases under the Corporation’s Normal Course Issuer Bid, future dividend payments, exploration and evaluation activities, events or developments the Corporation expects, or the potential impact of global economic issues such as viral outbreaks, an increase in inflation, labour shortages and labour strikes and supply chain issues, compounded by the effects of the war in Ukraine, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions (including assumptions relating to economic, market and political conditions, the Corporation’s working capital requirements and the accuracy of information supplied by the operators of the properties in which the Corporation has a royalty interest), such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, evaluation and development results, continued availability of capital and financing and general economic, market or business conditions.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under Financial Instruments and Other Risks below.

Any financial outlook or future-oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management as of the date of this MD&A. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this MD&A.

### **Third-Party Information**

Except where otherwise stated, the disclosure in this MD&A relating to properties and operations on the properties in which the Corporation holds royalty interests is based primarily on information disclosed by the owners or operators of these properties publicly or directly to the Corporation and information available in the public domain. As a royalty holder, the Corporation has limited, if any, access to properties included in its royalty portfolio. The Corporation is dependent on the operators of the properties to provide information to the Corporation or on publicly available information to prepare required disclosure pertaining to properties and operations on the properties on which the Corporation holds royalty interests and generally

has limited or no ability to independently verify such information. Additionally, the Corporation has, and may from time to time receive, operating information from the owners and operators of these properties which it is not permitted to disclose to the public. Although the Corporation does not have any knowledge that such information may not be accurate, there can be no assurance that such information is complete or accurate.

## Nature of Business

Morien is a Canada-based, mining development company focused on the identification and purchase of mineral projects. The Corporation holds two royalty interests in coal and aggregates on tidewater-accessed projects in Nova Scotia, Canada. The Donkin Coal Mine (“Donkin”, “Donkin Mine” or the “Mine”) recommenced production during the third quarter of 2022 and royalties to Morien have commenced. The Black Point Aggregate Project (“BP Project” or “Black Point”) has received positive environmental assessment decisions from both federal and provincial authorities, and although production has not begun, the Corporation is receiving advanced minimum royalty payments (“advanced payments”) on a quarterly basis. Morien has a Normal Course Issuer Bid (“NCIB”), renewed annually since 2015, through which it has purchased approximately 14 million of the Corporation’s outstanding common shares. The Corporation has been focused on identifying mineral interests and projects to purchase, specifically additional royalty assets to complement its existing assets.

## Year-End 2022 Update

During the year ended December 31, 2022, the Corporation:

- Received notice from Kameron Collieries, the operator of the Donkin Mine, that it had received regulatory approval to reopen the Donkin operation and that production had resumed;
- Received a royalty statement of approximately \$170,000 from Kameron Collieries related to initial fourth quarter coal sales from the Donkin Mine;
- Received advanced payments of approximately \$125,000 from Vulcan Materials related to the Black Point Project;
- Resumed the Corporation’s quarterly dividend program with the payment of a special dividend during the fourth quarter of \$0.005 per share;
- Purchased and cancelled 388,500 shares under the Corporation’s Normal Course Issuer Bid; and
- Ended the year with approximately \$1.4 million in working capital<sup>1</sup> (working capital of approximately \$1.3 million as of the date of this MD&A).

## Project Developments

### Donkin Coal Mine – Nova Scotia, Canada

#### Description of Morien’s Royalty

The Corporation owns a gross production royalty on coal sales from the Donkin Mine in Cape Breton, Nova Scotia, owned by Kameron Collieries ULC (“Kameron”), a subsidiary of The Cline Group LLC. Morien’s royalty consists of 2.0% of the revenue from the first 500,000 tonnes of coal sales per calendar quarter, net of certain coal handling and transportation costs, and 4.0% of the revenue from coal sales from quarterly

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<sup>1</sup> Working capital is determined by deducting current liabilities from current assets on the Corporation’s statement of financial position.

tonnage above 500,000 tonnes, net of certain coal handling and transportation costs (“Donkin Royalty”). The royalty is payable to Morien on a quarterly basis. The Donkin Royalty is binding on Kameron and its successors in interest in the Mine for the duration of the Mine’s lease.

### Donkin Update

In September, 2022, the Corporation was notified by Kameron that it had received regulatory approval from the Nova Scotia provincial government to reopen the Donkin Mine and that production at the Mine had resumed.

During the fourth quarter, the onsite coal handling and preparation plant (washplant) became operational allowing commercial sales from the Mine to commence. Subsequent to year-end, the Corporation received a fourth quarter royalty from Kameron in the amount of \$170,488, which reflected a gradual ramp-up in coal sales throughout the quarter. The operation is employing over 130 people and it is expected that number will grow as production increases.

Between 2017 and 2020, when the Mine was previously operational, its coal was marketed overseas primarily as a high-volatile, semi-soft type steelmaking coal (low ash, high vitrinite content, high fluidity, high crucible swell number), and overseas and domestically as a low ash (3%), high energy (>14,000 BTU/lb) thermal coal.

Donkin had been on care and maintenance between March 2020 and September 2022. See the Corporation’s second quarter MD&A for a description of what led to the decision to place the Mine on care and maintenance. Before idling the Mine, Kameron was in the Development Phase of the operation where two coal sections were actively developing the Mine’s main underground infrastructure and the first production panel to allow for the long-term and highly active Production Phase, which would incorporate retreat mining. For the retreat mining phase, Kameron was evaluating the viability of installing a longwall mining system which would have reduced its operating costs and increased production volumes. The majority of the submarine coal deposits in Cape Breton’s Sydney Coalfield were mined via the longwall method owing to the favorably flat-lying nature of the target coal seams. From 2012 to 2014, Foresight Energy, a prior subsidiary of The Cline Group, successfully operated three of the four most productive underground, longwall coal mines in the United States.

### Donkin’s Positive Attributes

- The Mine has received over CAD \$250 million in capital investment from Kameron since 2015;
- The Mine is a short, 30-kilometre truck haul to the Provincial Energy Ventures Ltd.’s (“PEV”) port facility in Sydney, Cape Breton, responsible for handling all of the exported coal from Donkin;
- In 2020, PEV acquired, and received delivery of, a large barge-mounted ship loader to allow for expedited loading of coal onto ocean-going vessels, and finished dredging the sea floor around its export facility to a depth of approximately 16.5 metres to accommodate larger, Capesize vessels to significantly reduce the cost of transporting Donkin coal to overseas markets;
- In 2021, the Canadian Coast Guard commenced a \$4.5 million upgrade to the navigational aid lights in the Port of Sydney, the last remaining component to being able to receive Capesize vessels in Sydney Harbour, a project which is expected to be complete by Q4 2023; and
- The Donkin mining lease contains a substantial coal resource (25+ year mine life) – production assumptions based on a Probable Mineable Reserve of 58 million tonnes. The Reserve estimate is

based on an Indicated Resource of 174 million tonnes, which does not include an additional 172 million tonnes of Inferred Resources<sup>2</sup>.

#### Description of Mine and Royalty Payment Potential

The Donkin Mine is permitted for run-of-mine annual production of 3.6 million tonnes, which is anticipated to produce approximately 3.0 million saleable tonnes after being washed in the onsite coal handling and preparation plant. At 3.0 million saleable tonnes and using a wide range of coal pricing (CAD \$80 to \$350 per tonne), royalty payments to Morien could be in the order of CAD \$6 to \$28 million annually.

Morien incurs general and administrative expenses in respect of the administration and preparation of regulatory filings as a public company and from the collection of royalty revenues. The royalty values listed above are only estimates and are based on assumptions that Morien management consider reasonable as of the date of this MD&A and would only be achieved if Donkin reached permitted production levels. Future results and royalties received, if any, subject primarily to production rates and coal pricing, may vary from those estimated by Morien.

#### Morien's Royalties from Kameron

Morien recognized the following royalties from Kameron between Q1 2019 and Q4 2022:

*Expressed in thousands of Canadian dollars*

	Fiscal 2022				Fiscal 2021				Fiscal 2020				Fiscal 2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Royalty	170	—	—	3	—	—	—	61	43	—	—	206	270	252	119	169

#### Coal Sales During Care & Maintenance Period

Following Kameron's decision to place the Donkin Mine on care and maintenance, a small quantity of previously mined and stockpiled Donkin coal was left at the Mine site and at the nearby PEV Port. Kameron sold a portion of this coal during Q4 2020, Q1 2021 and Q1 2022 for which Morien received royalties of \$42,885, \$60,776, and \$2,761, respectively. For royalty revenue prior to Q1 2019, please consult the Corporation's prior MD&A reports, filed under the Corporation's profile on SEDAR.

#### Coal Market Update – Recent Events

Within the seaborne metallurgical coal market, reduced global demand for finished steel products led to declines in metallurgical coal indices during the third quarter of 2022 from the historical highs reached in the first half of 2022. However, tight global coal supply and continued trade flow disruptions following sanctions imposed on Russian coal imports offset the reduction in demand for metallurgical coal. Metallurgical coal indices rebounded toward the latter part of 2022, and currently remain well above long-term historical averages. As of the date of this MD&A, the assessed price of Atlantic-origin, high-volatile semi-soft B metallurgical coal has rebounded from a low of US\$97 per tonne in 2020 to over US\$300 per tonne. The Corporation believes energy shortages and the worsening inflationary environment present a risk to industrial activity in some markets, but the underlying market fundamentals remain constructive with continuing themes of supply tightness, resilient demand, and further economic stimulus. According to data compiled by commodity analysts Kpler Global, global seaborne metallurgical coal imports increased to 25 million tonnes in January 2023, the highest level since July 2022. India, Japan, China, and Europe are collectively importing metallurgical coal at increased rates, which provides fundamental backing to the rally in metallurgical coal prices.

<sup>2</sup> The above technical disclosures are consistent with the information in the technical report titled "Technical Report, Donkin Coal Project, Cape Breton, Nova Scotia, Canada" dated Nov 2012, found on Morien's SEDAR profile

Within the seaborne thermal coal market, global thermal coal prices continue to remain above historical averages, supported by broader energy supply security concerns. These concerns have been driven by the Russian-Ukrainian conflict and the subsequent ban of Russian coal by European countries, as well as limited global thermal coal supply response out of the top exporters (Australia, Indonesia, and South Africa) due to weather and labor issues. Natural gas prices have reduced from their high points in 2022, but remain at elevated levels, providing an economic advantage for coal fired electricity generation. As of the date of this MD&A, thermal coal in the Atlantic region (CIF ARA) is pricing at approximately US\$140 per tonne, nearly 4x higher than its 2020 low of \$36 per tonne. At times during 2022, values of certain indices for high quality thermal coal exceeded values of metallurgical coal indices. This inversion of the historical price relationship allowed certain producers to direct metallurgical quality products into thermal markets on economically favourable terms. In China, domestic thermal coal production and renewable generation growth have been strong throughout the latter half of 2022, which has lowered import demand. In India, strong total generation demand, and growth in thermal coal generation, has supported increased import demand, despite elevated domestic coal production. Overall, global thermal coal markets remain turbulent as supply remains tight and European coal importers look to replace Russian thermal coal.

### Coal Market – Longer Term Demand

Metallurgical coal remains a critical ingredient in the production of steel, one of the most widely used building materials on Earth. Approximately 0.8 tonnes of metallurgical coal is required to produce one tonne of steel<sup>3</sup>. Thus, its demand is expected to continue following that of global manufacturing and steel production. Global population growth, urbanization, and a growing middle class in the Asia-Pacific region, in conjunction with there being no commercially viable replacement to steelmaking coal in a world demanding abundant high-quality steel, are expected to provide support to long-term steel demand and the steelmaking coal required to produce it. The Corporation believes that underinvestment in the steelmaking coal sector in recent years underlies both the current and longer-term market dynamics. Underinvestment in the sector appears likely to persist, despite favorable markets, as government policies, including the significantly increased royalty structure in Queensland, Australia, as well as diminished access to traditional capital markets, will continue to limit investment in the sector.

Unlike steelmaking coal, thermal coal has competition in the form of natural gas, nuclear, oil, and renewable energies. However, despite all the capacity additions in renewable energy generation, wind and solar still only contribute less than 5% of the world's total primary energy, versus over 80% for fossil fuels (30% for oil; 27% for thermal coal; and 24% for natural gas)<sup>4</sup>. Long-term, thermal coal demand trends will continue to be largely shaped by China, India, and Southeast Asia, which account for over two-thirds of global thermal coal consumption<sup>5</sup>.

According to the International Energy Agency (IEA), existing thermal coal-fired power plants in emerging markets and developing economies are relatively young (average age of 13 years) versus the developed world (average age of 35 years). The IEA estimates that more than US\$1 trillion of capital has yet to be recovered in younger thermal coal generation plants in the Asia-Pacific region, which accounts for two-thirds of global capacity.

While uncertainty remains on whether the response to Russia's actions in Ukraine will see a temporary or sustained shift in the global seaborne coal market, the potential is growing for structural change to occur. The commodity will continue to face challenges over the long-term from competing fossil fuels, particularly natural gas, and an overall secular shift toward increased usage of alternative forms of energy for electricity generation and steel manufacturing. However, continued annual growth in global electricity and steel

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<sup>3</sup> World Steel Association

<sup>4</sup> BP Statistical Review of World Energy 2022, 71st Edition

<sup>5</sup> International Energy Agency, Southeast Asia Energy Outlook 2022

demand from population growth, urbanization, and a growing middle class primarily in the Asia-Pacific region, are expected to continue supporting thermal coal's longevity as a competing energy source<sup>6</sup>.

### **Black Point Aggregate Project – Nova Scotia, Canada**

The Black Point Aggregate Project is a granite deposit located along the southern shore of Chedabucto Bay in Guysborough County, Nova Scotia, with suitable characteristics for the development of a crushed stone marine export operation for supplying markets in the eastern U.S. and Caribbean region.

In 2014, Morien entered into agreements (“Agreements”) with Vulcan Materials Company (“Vulcan”), the United States’ largest aggregate producer, and the Municipality of the District of Guysborough, for the development of the BP Project. Under the terms of the Agreements, Vulcan assumed Morien’s interest in Black Point and became manager and operator in exchange for milestone payments totaling \$1,800,000 and a production royalty payable to Morien over the 50+ year life of the project<sup>7</sup>. The first payment of \$1,000,000 was received in 2014 on signing and transfer of interest to Vulcan.

In April 2016, the BP Project received positive environmental assessment decisions from both federal and provincial authorities. In May 2016, the Corporation received a \$400,000 milestone payment from Vulcan following receipt of the positive provincial and federal environmental approvals. Morien is due to receive an additional and final milestone payment of \$400,000 from Vulcan upon the completion of related and pending permitting agreements for Black Point.

In April 2018, April 2020, and April 2022, Vulcan was granted two-year extensions by the Nova Scotia Department of Environment for the BP Project. According to the conditions of the extensions, Vulcan must within two years of the approval of the date of the last extension (April 2024), commence work on the BP Project unless granted a further written extension by the Department of Environment.

Vulcan has indicated the target market conditions for crushed stone from the Black Point location are still short of their original expectations.

In May 2022, Frank Lieth, Vulcan’s Vice President of Black Point Aggregates Inc., a wholly owned subsidiary of Vulcan, reaffirmed Vulcan’s commitment to Black Point - “While conditions are not yet ready for Black Point Aggregates to break ground, we maintain our strong interest in the Project. The target market conditions for crushed stone from the Black Point location are still short of our original expectations. Although the time is not quite right to move forward, we will continue to invest in the project and work to meet the requirements outlined in the April 2016 environmental approval. We are not going anywhere - we remain very much committed to the community, stakeholders, and agreements made.”

Since Q3 2017, Morien has received an advanced minimum royalty payment of \$25,000 per quarter from Vulcan, subject to annual inflationary adjustments according to the Producer Price Index for crushed stone<sup>8</sup>. All advanced payments are recorded by Morien as unearned revenue and will be credited against future production royalties from Black Point.

#### **Black Point’s Positive Attributes**

- Sizeable resource of approximately 400 million tonnes according to Vulcan’s internal estimates<sup>7</sup>;
- Mine life of 50+ years<sup>7</sup>;
- Project is adjacent to deep water (>14 metres), which is sheltered and ice-free, enabling construction of a deep-water marine terminal for aggregate shipment to the United States \*;

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<sup>6</sup> BP Statistical Review of World Energy 2022, 71st Edition

<sup>7</sup> Resource and mine life estimates based on Vulcan’s internal estimates; not supported by a National Instrument 43-101 technical report.

<sup>8</sup> In Q3 2020, the advanced payment was adjusted for PPI to \$28,319.

- High quality, “Class-A” construction aggregate well suited for the concrete and asphalt market<sup>7</sup>; and
- Black Point has received environmental permits and has strong community support.

\* In the U.S. market, the majority (80% or more) of aggregates are transported by truck from the quarry to the consumer. This form of transport is expensive and limits the typical aggregate operation to a market radius of about 80 kilometres from the quarry. Competition of aggregates is thus constrained by the distance materials can be transported efficiently, resulting in predominantly local or regional operations. The southeastern U.S. aggregate market is a prime target for bulk vessel transported aggregate due in part to the geologic absence of suitable aggregate resources in coastal areas.

#### Market Update – U.S. Aggregate Sector

The U.S. aggregate sector provides the basic crushed stone materials that are needed to maintain and expand the country’s deteriorating infrastructure, ranked 13th globally<sup>9</sup>. Aggregate, or crushed stone, is used in three primary end-use markets; public construction (highways, bridges, buildings, airports, etc.); private nonresidential construction (manufacturing, retail, offices, industrial and institutional); and private residential construction (houses, apartments, and condominiums)<sup>10</sup>.

Dodge Data and Analytics (“Dodge”), is a provider of construction project data for the U.S. aggregate market. Throughout the year, Dodge benchmarks the construction economy using two measurements: monthly construction starts, and the Dodge Momentum Index (“DMI”). Construction starts measure the value of construction projects across the U.S. The DMI measures non-residential building projects in the planning stage, which have been shown to lead construction spending for non-residential buildings by a full year. Together, they are thought to reflect the market conditions of the U.S. construction industry as a whole.

The DMI improved 6.6% in December 2022 to 222.2, up from 183.2 in September 2022<sup>11</sup>. Dodge attributes the increase to an increase in nonresidential growth. According to Dodge, in 2022, the value of commercial and multifamily construction starts in the top ten metropolitan areas of the U.S. increased 37% from 2021. Nationally, commercial and multifamily construction starts increased 25%<sup>12</sup>.

#### Project Generation

From 2017 to 2019, as the Donkin Mine went into production and as the Corporation’s royalty payments grew, Morien evaluated multiple royalty acquisition opportunities to complement its existing royalty portfolio. The Corporation largely focused its efforts on long-life, cash-flowing, or near-to cash-flowing, royalties in the industrial mineral and bulk commodity market segments in North America. The Corporation suspended these efforts while the Donkin Mine was on care and maintenance from Q2 2020 to Q3 2022. The Corporation plans to restart its project generation program with the recommencement of Donkin’s mining operations. How the Corporation funds future acquisitions (either by cash, shares, debt or a combination) will depend on numerous factors, including the size of the transaction and the financial considerations of Morien at the time of acquisition.

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<sup>9</sup> White House briefing note - The American Jobs Plan, March 2021

<sup>10</sup> U.S. Geological Survey

<sup>11</sup> Dodge Data & Analytics, Dodge Momentum Index Rises in September, October 7, 2022

<sup>12</sup> Dodge Data & Analytics

## Discussion of Operations

### Years ended December 31, 2022 and 2021

The Corporation recognized \$173,249 royalty revenue in 2022 (2021 - \$60,776) from Kameron related to Donkin coal sales. The Advanced Payments received for Black Point in the year ended 2022 of \$124,631 (2021 - \$115,667) contributes to cumulative unearned revenue of \$613,457 as at December 31, 2022 (2021 - \$488,826).

Corporate and administration expenses amounted to \$780,968 in 2022 (2021 - \$519,652), an increase of \$261,316, related to increased investor relations efforts and performance bonus' awarded to certain employees and Directors for contributions related to the Corporation's recent success.

The table below provides a breakdown of the corporate and administration costs for the years ended December 31, 2022 and 2021.

	For the Year Ended December 31		
	2022	2021	Change
	\$	\$	\$
Employee costs	485,990	296,858	189,132
Investor relations and communications	86,426	42,984	43,442
Office and sundry	38,667	33,655	5,012
Professional fees	67,464	55,337	12,127
Regulatory compliance	102,421	90,818	11,603
	<b>780,968</b>	<b>519,652</b>	<b>261,316</b>

Exploration and evaluation expenses were \$35,213 for the year 2022 (2021 - \$88,248). Evaluation expenses relate to the Corporation's project generation efforts. As described above, the Corporation suspended these efforts while the Donkin Mine was on care and maintenance from Q2 2020 to Q3 2022.

One of the equity investments the Corporation held at December 31, 2021 of 865,000 shares of Canadian Manganese Company Inc. was listed on a publicly traded exchange subsequent to year-end, enabling management to ascribe a value of \$173,000 on the statement of financial position and recognize an unrealized gain of \$173,000 in fiscal 2021. In Q1 2022, the 865,000 shares were sold, realizing a gain equivalent to the cash proceeds of \$171,476. The difference between the unrealized and realized gain was recorded as a net loss of \$1,504 in Q1 and for the year ended December 31, 2022.

Net and comprehensive loss for the year ended December 31, 2022, was \$545,121 or (\$0.01) per share compared to net and comprehensive loss of \$364,868 or (\$0.01) per share in 2021.

### Fourth Quarter

In the fourth quarter of 2022 the Corporation purchased and cancelled 387,000 shares (2021 – 325,000 shares) at an average weighted price of \$0.72 for a total cost of \$278,608 (2021 – \$75,905) under the Corporation's NCIB.

The Corporation earned royalty revenue of \$170,488 (2021 – \$nil) related to fourth quarter coal sales from the Donkin Mine and unearned revenue in the form of a fourth quarter Advanced Payment of \$32,801 (2021 – \$29,514) from Vulcan Materials Company related to the Black Point Project.

The Corporation resumed its quarterly dividend program during the fourth quarter with the payment of a special dividend equal to \$0.005 per share.



## Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts	Fiscal 2022				Fiscal 2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	170	—	—	3	—	—	—	61
Corporate & administration expenses	354	133	158	136	108	111	147	154
Share-based compensation	—	—	—	—	—	—	—	—
Exploration & evaluation expenses	2	14	19	—	13	44	31	—
(Loss) from operations	(176)	(77)	(145)	(147)	(118)	(132)	(187)	(101)
Unrealized gain on investments	—	—	—	—	173	—	—	—
Net (loss) income	(176)	(77)	(145)	(147)	55	(132)	(187)	(101)
Basic & diluted income(loss) per share	—	—	—	—	—	—	—	—
Additions to unearned revenue	33	32	30	30	30	30	28	28
Purchase of shares for cancellation	279	—	1	8	76	1	8	34
(Decrease) increase in cash	(779)	(114)	(102)	38	(186)	(133)	(75)	(126)
Cash dividends paid	253	—	—	—	—	—	—	—
Working capital at period end	1,401	2,001	2,036	2,152	2,278	2,269	2,372	2,538

The Corporation's expenditures and net income (loss) varied from quarter to quarter depending largely on the size of the royalty payments, gain on sale of investments and corporate and administration support required with respect to its core assets.

## Selected Annual Financial Information

The following information has been extracted from the Corporation's audited consolidated financial statements.

Expressed in thousands of Canadian dollars except per share amounts	For the Years Ended December 31		
	2022	2021	2020
Revenues	173	61	249
Corporate and administration expenses	781	520	628
Exploration and evaluation expenses	35	88	—
Loss from operations	(543)	(538)	(561)
Unrealized gain (loss) on investments	(2)	173	—
Net income (loss) for the year	(545)	(365)	(561)
Basic and diluted income (loss) per share	(0.01)	(0.01)	(0.01)
Additions to unearned revenue	125	116	112
Purchase of shares for cancellation	288	119	431
Increase (decrease) in cash	(957)	(520)	(1,486)
Working capital at year-end	1,401	2,278	2,645
Cash dividends declared	253	—	132
Cash dividends declared per share	0.005	—	0.0025

## Liquidity and Capital Resources

At December 31, 2022, the Corporation had working capital of \$1.4 million, compared to \$2.3 million at December 31, 2021.

As of the date of this MD&A, the Corporation had working capital of approximately \$1.3 million, which is considered more than sufficient to meet the Corporation's operating requirements beyond 2023. The

Corporation may also continue to use its cash resources to acquire outstanding common shares under its NCIB (see Outstanding Share Data).

In Q3 2017, Vulcan began paying Morien an advanced payment of \$25,000 per quarter until sales commence from the BP Project or until the project is terminated. The advanced payment shall be increased or decreased annually in accordance with changes to the Producer Price Index for crushed stone, commencing July 1, 2018. All advanced payments are recorded as unearned revenue and shall be credited by Vulcan against future production royalty payments due to Morien if and when Black Point enters production.

The Corporation continues to hold its royalty interests in the Donkin Mine and BP Project. Subject to all the risks and uncertainties outlined in greater detail elsewhere in this MD&A, potential future royalties from the Donkin Mine, depending on the coal sales price, could range from \$6 to \$28 million per year at permitted full production of 3.0 million saleable tonnes per year coal over the 25+ year mine life and would only be achieved if Donkin reached permitted production levels. Royalties from Black Point could range from \$250,000 to \$750,000 per year over the 50+ year mine life. There is no guarantee that these royalty levels will be achieved.

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 initially measured at a cost of \$nil. Morien sold the publicly traded shares in 2018 for a gain of \$152,169 and retained the non-public entity shares. In 2019, these shares were subsequently split into three, unlisted companies; Buchans Resources Limited (“Buchans”), Canadian Manganese Company Inc. (“CDMN”), and Minco Exploration plc (“Minco”).

CDMN was subsequently listed on an active market. As a result, this investment was classified within Level 2 of the fair value hierarchy at an estimated fair value of \$173,000 at year-end. The shares of CDMN were sold for a realized gain and cash proceeds of \$171,496 in the three months ended March 31, 2022. 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 Corporation holds the Buchans and Minco investments with a goal of short-term appreciation in the event of a public listing. However, due to current market conditions and the unlikely event of disposition of any or all of the shares in 2023, the investments are classified as non-current assets.

Other than as discussed in this MD&A (including below under “Outlook” and “Financial Instruments and Other Risks”), the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation’s liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

## **Outlook**

The Corporation has a cash balance more than sufficient to cover operating costs for 2023 and two core assets in the form of royalty interests in Donkin and Black Point.

At Donkin, with the resumption of mining activities in Q3 2022, Kameron remains in the Development Phase of the Mine where its mining team is actively developing the main underground infrastructure and first production panel to allow for the long-term Production Phase, which will incorporate retreat mining, and which is expected to materially increase production volumes.

At Black Point, Vulcan has until April 2024 to commence work on the project unless granted a written extension by the Nova Scotia Minister of Environment. Until a production decision is made by Vulcan, Morien will continue receiving Advanced Payments of \$25,000 (adjusted annually for PPI, currently recorded as approximately \$33,000) per quarter from Vulcan.

The Corporation has been focused on identifying mineral projects to purchase, specifically additional royalty assets to complement its existing assets. Morien's project generation efforts will increase commensurate with an increase in its royalty revenue as the Donkin Mine scales up its production.

The Corporation has a Normal Course Issuer Bid program in place and may elect to purchase outstanding common shares if and when management feels the purchase represents the best value to shareholders.

The Corporation reinstated its quarterly dividend program during the fourth quarter of 2022, and it intends to continue issuing set quarterly dividend payments in 2023.

## **Contractual Obligations**

For the 2023 fiscal year, the Corporation's only expenditure commitment related to overhead is a one-year office lease for \$2,700.

## **Off-Balance Sheet Arrangements**

As at December 31, 2022, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Corporation.

## **Dividends**

In December 2017, the Corporation approved the implementation of a dividend policy and made its inaugural dividend payment on December 27, 2017. Between Q1 2018 and Q1 2020, the Corporation paid quarterly dividends of \$0.0025 per common share.

With Kameron's cessation of operations at the Donkin Mine in March 2020, the Corporation's Board of Directors suspended the Corporation's quarterly dividend in April 2020. Notwithstanding Morien's strong balance sheet, its Board and Management believed it was prudent to maximize financial flexibility and the dividend suspension was in the best interest of all of the Corporation's stakeholders.

With the recommencement of operations at the Donkin Mine in September 2022, the Board approved the reinstatement of its quarterly dividend program. On November 30, 2022, the Board declared a special dividend of CAD \$0.005 per common share payable on December 20, 2022.

It is the Corporation's intention that in the first quarter of 2023 it will resume payment of quarterly dividends of \$0.0025 per common share. Beyond 2023, as the Donkin Coal Mine scales up production, it is anticipated that quarterly dividends will be calculated in relation to cash flow available for distribution, having regard to the stability of cash flow and the need to maintain flexibility to secure new royalty assets.

The Corporation's dividend payments have historically qualified as an 'eligible dividend' for Canadian income tax purposes.

## **Outstanding Share Data**

### **Normal Course Issuer Bid**

On January 28, 2022, the Corporation filed a notice of intention to acquire up to 3,763,300 common shares pursuant to a Normal Course Issuer Bid ("NCIB"). Purchases pursuant to the NCIB are made in the open market through the facilities of the TSX Venture Exchange. A copy of the notice is available to shareholders, without charge, upon request to the Corporation at 1701 Hollis Street, Suite 800, Halifax, NS, B3J 3M8.

For the year ended December 31, 2022, the Corporation purchased and cancelled 388,500 shares (2021 – 524,000 shares) at an average weighted price of \$0.74 per share (2021 – \$0.23).

Subsequent to December 31, 2022, to the date of this MD&A, the Corporation purchased and cancelled 113,000 shares at an average weighted price of \$0.66 per share. Total purchases since the NCIB was initiated in 2015 to January 31, 2023, include 14.5 million shares at an average weighted price of \$0.35 per share.

Subsequent to December 31, 2022, on January 26, 2023, the Corporation renewed its NCIB with the TSX Venture Exchange for the period February 1, 2023, to January 31, 2024, allowing the Corporation to purchase, in any 30-day period, up to 2% of its issued and outstanding shares outstanding at the time of the purchases, up to the maximum of 3,684,380 shares.

### **Stock Options**

Subsequent to December 31, 2022, 500,000 options were exercised at \$0.20. As of the date of this MD&A, the Corporation had 3,550,000 stock options outstanding with an average exercise price of \$0.45, all of which were exercisable.

### **Share Capital**

As of the date of this MD&A, the Corporation has 50,761,114 common shares issued and outstanding and 54,311,114 common shares fully diluted.

## **Critical Accounting Estimates**

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 and are continually evaluated. 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.

### **Taxation**

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and any deferred tax liabilities are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, 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 royalty revenues, production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, 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 any deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or the entire carrying amount of any recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to income.

## Future Changes in Accounting Policies

The following new amendments to standards and interpretations under IFRS, are not yet effective for the period ended December 31, 2022, and have not been applied in preparing these consolidated statements:

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

## Financial Instruments and Other Risks

### Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments and investments. The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. 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.

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, 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).

During the year ended December 31, 2022, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities. During the year ended December 31, 2021, there was a transfer from Level 3 to Level 2 in the investments category due to the public listing of CDMN subsequent to year end.

### Risks

In conducting its business, the principal risks and uncertainties faced by the Corporation relate primarily to the success of third-party operators, with which the Corporation holds royalty agreements, successfully developing and operating their projects, exploration and evaluation results, commodity prices underlying the Corporation's royalties, access to capital and general market conditions. Exploration and development of mining operations involve many risks, many of which are outside the Corporation's control.

#### Russia-Ukraine war

February 24, 2022, marked a significant escalation in the Russia-Ukraine war. The extent and duration of the military conflict involving Russia and Ukraine, resulting sanctions and future market or supply disruptions in the region, and its potential global impact, are difficult to predict, but could be significant and may have an adverse effect on the region and abroad. Globally, various governments have formally and informally banned imports from Russia, including commodities such as oil, natural gas and coal. These events have caused volatility in the commodity markets. This volatility, including market expectations of potential changes in coal prices and inflationary pressures on steel products, may significantly affect market

prices and overall demand for coal and the cost of supplies and equipment, as well as the prices of, and demand for, competing sources of energy.

#### Health crises and other

Many industries, including the mining industry, have been negatively impacted by emerging infectious diseases and/or the threat of viral outbreaks, including COVID-19. A significant new outbreak or continuance and/or worsening of COVID-19 could result in widespread crises that could negatively affect the global economy, including consumer confidence, market stability, and commodity and financial markets, creating uncertainties on macroeconomic conditions, the development and production decisions of the operators of projects in which the Corporation has royalty interests, and the availability and/or value of additional royalty assets that the Corporation may wish to acquire, all of which may negatively impact the Corporation's business, its revenues and the market price of its securities. At this time, predicting the extent that COVID-19 may or may not have on the Corporation is unknown, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

#### Credit risk

Credit risk is the risk of financial loss to the Corporation if 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:

	<b>December 31, 2022</b>	December 31, 2021
	\$	\$
Cash	<b>276,730</b>	1,233,577
Short-term investments	<b>985,764</b>	908,735
Trade and other receivables	<b>196,062</b>	6,103
Investments	—	173,000
	<b>1,458,556</b>	2,321,415

The Corporation manages credit risk by holding 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 period (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 at December 31, 2022, the Corporation had cash and short-term investments of \$1,262,494 (2021 – \$2,142,312) to settle current liabilities of \$83,740 (2021 – \$77,536).

#### Foreign currency risk

Morien operates in Canada and its equity financings have been in Canadian dollars. APMUSA is based in the USA 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 USD dollar currency risk was \$988,233 as at December 31, 2022 (2021 – \$915,078). Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately \$98,820 (2021 – \$91,510).

#### 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. At this point the Corporation does not enter into any hedging to offset risk.

#### Equity price risk

The Corporation holds two 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 December 31, 2021. Any change in fair value is not predictable at this point.

#### Climate Change

The Corporation acknowledges that global climate issues continue to attract public attention and influence regulatory reporting requirements. However, as a small royalty company, the Corporation's influence in the mining industry from the perspective of the perceived impact of climate change, is indirect. Additionally, the Corporation's royalty portfolio consists of coking coal, as well as crushed stone, both of which are considered critical materials for a transition to a low-carbon economy.

Morien believes that steel producers may de-carbonize the steel-making process in time, if and when alternative, lower carbon technology becomes commercially viable, in order to keep with the requirements of a net zero economy. However, given the significant amount of integrated steelmaking infrastructure already in place around the globe, as well as the current lack of commercially available low-carbon steel-making solutions, Morien expects coking coal to play an essential role in new steel production for the next several decades, which is consistent with the steel industry's consensus view.

Although the Corporation believes it has minimal or no direct exposure to climate-related risks, such matters could directly impact the operators of its royalty properties. The Corporation considers the materiality of third-party climate-related risks through more than one lens, including physical risk and regulatory risk.

**Physical Risk:** Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns which may cause operational difficulties, including damage to equipment and infrastructure, at the operations or projects upon which the Corporation has a royalty interest.

**Regulatory Risk:** Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting greenhouse gas (GHG) emissions. While some of the costs associated with reducing GHG emissions may be offset by increased energy efficiency and technological innovation, increased government regulation could result in increased costs at the operations or projects upon which the Corporation has a royalty interest if the current regulatory trend continues. However, the degree to which this might happen, if at all, is unknown to the Corporation, as it is neither the manager or operator of the operations and projects upon which it has royalty interests, and thus has limited to no access to such information.

## **Other Risk Factors**

### **Dependence on Third Party Property Owners and Operators**

The Corporation is not the operator of the Donkin Coal Mine or Black Point Project. There is no assurance that the current operators, or their successors, if any, will continue with the development of the projects in a manner that is beneficial, or most beneficial, to the Corporation.

The revenue derived from the Corporation's royalty portfolio will be based on the activities of third-party property owners and operators. These owners and operators are responsible for determining the manner in which the properties underlying the royalties are exploited, including decisions to commence, expand, continue or reduce production from a property, and decisions to advance exploration efforts and/or conduct development of non-producing properties. The Corporation will have little or no input on such matters. The interests of third-party owners and operators and those of the Corporation on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interest of the Corporation to advance development and production on properties as rapidly as possible in order to maximize near term cash flow, while third-party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Corporation to control the operations for the properties in which it has a royalty interest may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition.

Similarly, where the Corporation's interest in a mineral property is a royalty interest, there is a risk that the third-party operator may be unable or unwilling to fulfill its obligations under its agreements with the Corporation, or experience financial, operational or other difficulties including insolvency, which could limit the third party's ability to perform its obligations under the royalty interest. The Corporation will not be entitled to any compensation if the operations shut down or the third-party operators discontinue their operations on a temporary or permanent basis. At any time, any operator of a property in which the Corporation has a royalty or net profit interest may decide to suspend or discontinue operations. In regard to Black Point, the Corporation is unaware of Vulcan's development timeline, or if they (or any successor) will ever advance Black Point toward development.

### **Limited Access to Data and Disclosure for Royalty Portfolio**

The Corporation is neither the property owner nor operator for the properties underlying its royalty portfolio, and the Corporation has no input into how the operations are conducted. Also, the Corporation has varying access to data on the operations or to the actual properties themselves. This will affect its ability to assess the value of the royalty interest or enhance the royalty's performance. This could also result in delays in cash flow from that anticipated by the Corporation based on the stage of development of the applicable properties underlying its royalty portfolio. The Corporation's royalty payments may be calculated by the royalty payers in a manner different from the Corporation's projections. The limited access to data and disclosure regarding the operations of the properties in which the Corporation has an interest may restrict the Corporation's ability to assess the value or enhance its performance, which may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition.

## **Disclosure Controls and Internal Controls over Financial Reporting**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Corporation's disclosure controls and internal controls over financial reporting to provide reasonable assurance: (a) that material information about the Corporation and its subsidiaries would have been made known to them, and; (b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of, nor are they required to establish, disclosure controls and procedures and



internal controls over financial reporting, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of: (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and; (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

## **Other Information**

Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.morienres.com](http://www.morienres.com).