



Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Canadian dollars)



KPMG LLP

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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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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, 2023. 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 auditor's 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 one investment in unlisted entity at fair value of \$27,000 and another investment 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 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

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

Halifax, Canada

February 26, 2024

MORIEN RESOURCES CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Canadian dollars)

	For the Years Ended December 31	
	2023	2022
	\$	\$
Royalty revenue [note 9]	962,283	173,249
Operating expenses		
Corporate and administration [note 10]	843,164	780,968
Evaluation	9,392	35,213
Share-based compensation [note 7]	485,550	—
Foreign exchange loss (gain)	22,453	(60,947)
	1,360,559	755,234
Investment income [note 4]	63,583	38,368
Loss from operations	(334,693)	(543,617)
Realized loss on investments [note 4]	—	(1,504)
Unrealized gain on investment [note 4]	27,000	—
Net and comprehensive loss	(307,693)	(545,121)
Basic and fully diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares outstanding [000's]		
Basic and diluted	51,144	50,607

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

MORIEN RESOURCES CORP.
Consolidated Statements of Financial Position
(Canadian dollars)

	December 31 2023	December 31 2022
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	373,110	276,730
Short-term investment [note 4]	1,007,730	985,764
Trade and other receivables	38,733	196,062
Prepaid expenses	19,752	25,888
Non-current assets		
Investments [note 4]	27,000	—
TOTAL ASSETS	1,466,325	1,484,444
LIABILITIES		
Current liabilities		
Trade and other payables	61,699	83,740
Non-current liabilities		
Unearned revenue [note 5]	753,371	613,457
Total liabilities	815,070	697,197
SHAREHOLDERS' EQUITY		
Share capital [note 6]	4,762,329	4,424,098
Contributed surplus	2,412,860	2,053,754
Deficit	(6,523,934)	(5,690,605)
Total shareholders' equity	651,255	787,247
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,466,325	1,484,444

Commitments [note 14]

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

ON BEHALF OF THE BOARD:

“John P. A. Budreski”, *Director*

“Mary C. Ritchie”, *Director*

MORIEN RESOURCES CORP.

Consolidated Statement of Changes in Shareholders' Equity

(Canadian dollars)

	Common shares #	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
Balance at January 1, 2022	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	(388,500)	(47,678)	—	(240,215)	(287,893)
At December 31, 2022	50,374,114	4,424,098	2,053,754	(5,690,605)	787,247
Net and comprehensive loss	—	—	—	(307,693)	(307,693)
Dividends paid to shareholders [note 6]	—	—	—	(383,212)	(383,212)
Share-based compensation [note 7]	—	—	485,550	—	485,550
Options exercised [note 7]	1,200,000	366,444	(126,444)	—	240,000
Normal course issuer bid purchase of common shares [note 6]	(282,114)	(28,213)	—	(142,424)	(170,637)
At December 31, 2023	51,292,000	4,762,329	2,412,860	(6,523,934)	651,255

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

	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Net and comprehensive loss	(307,693)	(545,121)
Items not involving cash:		
Share-based compensation	485,550	—
Foreign exchange loss (gain)	22,453	(60,947)
Additions to unearned revenue [note 5]	139,914	124,631
Investment income	(63,583)	(38,368)
Unrealized gain on investment	(27,000)	—
Realized loss on investment	—	1,504
Changes in non-cash working capital:		
Decrease (increase) in trade and other receivables	157,329	(189,959)
Decrease in prepaid expenses	6,136	7,811
(Decrease) increase in trade and other payables	(22,041)	6,204
Cash provided by (used in) operating activities	391,065	(694,245)
FINANCING ACTIVITIES		
Proceeds on exercise of options	240,000	85,000
Dividends paid	(383,212)	(253,491)
Purchase of shares for cancellation	(170,637)	(287,893)
Cash used in financing activities	(313,849)	(456,384)
INVESTING ACTIVITIES		
Increase in short-term investments	(43,290)	(16,490)
Investment income	63,583	38,368
Proceeds from disposal of investments	—	171,496
Cash provided by investing activities	20,293	193,374
Effect of exchange rate fluctuations on cash held in foreign currency	(1,129)	408
Increase (decrease) in cash	96,380	(956,847)
Cash and cash equivalents, beginning of year	276,730	1,233,577
Cash and cash equivalents, end of year	373,110	276,730

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

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

1. Nature of operations

Morien Resources Corp. (“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, 2023 and 2022 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards Accounting Standards, as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “IFRS”).

The consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2024.

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 material 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.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

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 material 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, 2022. 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

Transactions in foreign currencies are initially recorded in the entity's functional currency as the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate as at the reporting date.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (continued)

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.

The Corporation's financial instruments consist of cash and cash equivalents, short-term investment, 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 investment	Amortized cost
Trade and other receivables	Amortized cost
Investments	Fair value through profit and loss ("FVTPL")

Financial Liabilities

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

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

- Cash and cash equivalents 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 investment includes term deposits and treasury bills with original maturities of greater than 90 days held for short-term cash management purposes. Short-term investment is classified and measures at amortized cost.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (continued)

- Trade and other receivables are classified as and measured at amortized cost using the effective interest method less any allowance for impairment.
- The Corporation uses the expected credit loss (“ECL”) model in assessing impairment 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.

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.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

3. Summary of material 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.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (continued)

g) Earnings (loss) per share

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, if applicable, 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.

New and amended accounting policies

The Corporation adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’ accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

Certain amendments to accounting standards have been published that are not mandatory for the December 31, 2023 reporting periods and have not been early adopted by the Corporation. These amendments are not expected to have a material impact on the Corporation in the current or future reporting periods.

4. Investments

Short-term investment is a guaranteed investment certificate (“GIC”) denominated in US dollars with a term of less than year. The interest earned on the GIC of \$44,084 is recorded within the net and comprehensive loss as investment income for the year in addition to interest earned on cash balances.

The Corporation purchased publicly traded shares in 2016 that were split into public and non-public entity shares. One of the three unlisted companies retained, Canadian Manganese Company Inc., was listed on the NEO Exchange subsequent to December 31, 2021 resulting in the Corporation recognizing an unrealized gain of \$173,000 at December 31, 2021. In 2022, the shares were disposed of for cash resulting in a realized loss of \$1,504 at December 31, 2022.

The investments as at December 31, 2023 are shares in the remaining two unlisted companies, Buchans Resources Limited (“Buchans”) and Minco Exploration plc (“Minco”). In December 2023, Buchans sold certain assets in exchange for publicly traded shares which will be distributed to its shareholders in 2024. The value of the shares to be distributed has been ascribed a value of \$27,000 and recognized as an unrealized gain on investment in the current year, whereas Minco has an estimated fair value of \$nil due to insufficient more recent information available. Both Buchans and Minco are classified as Level 3 instruments within the fair value hierarchy as at December 31, 2023 and 2022.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

5. Unearned revenue

The Corporation received advanced payments in 2023 of \$139,914 (2022 – \$124,631), 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, 2023 and 2022. They are classified as long-term liabilities in the likelihood production at Black Point will not occur in the next fiscal year.

6. Share capital

The Corporation has an unlimited number of common shares authorized for issue without par value.

Under the terms of a normal course issuer bid, Morien purchased and cancelled 282,114 shares in the year ended December 31, 2023 (2022 – 388,500) at a total cost of \$170,637 (2022 – \$287,893), including \$5,896 in transaction costs (2022 – \$16,108). The total cost of \$170,637 reduces share capital by \$28,213 (2022 – \$47,678) and increases the deficit by \$142,424 (2022 – \$240,215).

The Corporation declared and paid \$383,212 in dividends for the year ended December 31, 2023 and \$253,491 for the year ended December 31, 2022.

7. Stock options

a) Stock options

The Corporation has an incentive stock option plan whereby it can grant options to employees, officers, directors and consultants of Morien to acquire up to 10% of the outstanding shares at the time of grant. The Board of Directors of the Corporation shall determine the exercise price, term and vesting provisions of options granted. Under Morien'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-V. Options granted under the Morien 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 following table summarizes the changes in the outstanding stock options for years ended December 31, 2023 and 2022:

	Number of options	Weighted average exercise price \$
At January 1, 2022	4,225,000	0.42
Exercised	(175,000)	0.49
At December 31, 2022	4,050,000	0.42
Exercised	(1,200,000)	0.20
Expired	(2,100,000)	0.60
Issued	2,150,000	0.60
At December 31, 2023	2,900,000	0.52

The weighted average share price, at the time of exercise, for those shares that were exercised during the year ended December 31, 2023 was \$0.59 (2022 - \$0.75).

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

(Canadian dollars)

For the years ended December 31, 2023 and 2022

7. Stock options (continued)

The following is a summary of the outstanding stock options as at December 31, 2023:

Expiry date	Number of options		Outstanding life (years)
	Outstanding	Vested	
January 7, 2024	200,000	200,000	0.02
May 20, 2025	550,000	550,000	1.39
May 25, 2028	2,150,000	716,667	4.40
At December 31, 2023	2,900,000	1,466,667	3.53

The weighted average exercise price of the number of options outstanding and vested as at December 31, 2023 is \$0.52 and \$0.43, respectively.

b) Share-based compensation

During the year ended December 31, 2023, 2,150,000 options granted to officers and directors gave rise to share-based compensation of \$485,550. No stock options were issued in the previous year. The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

For the Year Ended December 31	
	2023
Share price at grant date	\$0.51
Exercise price	\$0.60
Risk-free interest rate	3.52%
Expected dividend yield	2.10%
Expected life (years)	5.0
Expected volatility	111%
Weighted average grant date fair value	\$0.36

Expected volatility is estimated by considering historic average share price volatility. All options granted in the period vest over a two-year period (one-third on each of the date of grant and the first and second anniversaries of grant) and have a five-year term.

8. 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	
	2023	2022
	\$	\$
Loss before income taxes	(334,693)	(545,121)
Statutory tax rates	29.0%	29.0%
Income taxes (recovery) computed at the statutory rates	(97,061)	(158,085)
Change in unrecognized temporary differences	(42,650)	157,320
Expenses not deductible for tax purposes	141,231	1,307
Effect of foreign tax rates	(1,520)	(542)
Provision for income taxes (recovery)	—	—

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(Canadian dollars)

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8. Income taxes and deferred tax liability (continued)

The enacted or substantively enacted tax rate in Canada of 29.00% (2022 - 29.00%) and in the USA of 25.54% (2022 – 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	
	2023	2022
	\$	\$
Non-capital losses carried forward	246,922	273,831
Investments	(3,915)	—
Unrealized foreign exchange	(243,007)	(273,831)
	—	—

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

	2023			2022		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Non-capital losses carried forward	4,984,713	10,561,999	15,546,712	5,713,272	10,839,636	16,552,908
Property, plant & equipment	9,834	—	9,834	9,834	—	9,834
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	753,371	—	753,371	613,457	—	613,457
	7,600,431	10,561,999	18,162,430	8,189,076	10,839,636	19,028,712

As at December 31, 2023, 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 2028 to 2042.

9. Royalty revenue

	For the Years Ended December 31	
	2023	2022
	\$	\$
Donkin Mine (Kameron Collieries)	962,283	173,249

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 Department of Labour, Skills and Immigration (“DOL”), the province’s regulator. The Mine commenced commercial sales during the fourth quarter of 2022.

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9. Royalty revenue (continued)

On July 15, 2023, DOL issued a Stop Work Order (“SWO”) at Donkin in response to a roof fall that occurred on July 15, 2023. On November 10, 2023, in consideration of uncertainty surrounding the timing for release of the SWO, Kameron placed Donkin into an idled state with no timeline to resume operations. Kameron continues to work with DOL to resolve all issues related to the SWO, however there is no scheduled date of reopening as of the date of this report.

10. Corporate and administration expenses

	For the Years Ended December 31	
	2023	2022
	\$	\$
Employee costs	458,385	485,990
Investor relations and communications	130,515	86,426
Office and sundry	36,846	38,667
Professional fees	89,282	67,464
Regulatory compliance	128,136	102,421
	843,164	780,968

11. 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	
	2023	2022
	\$	\$
Director’s fees and benefits	76,434	48,000
Senior executive officers’ compensation and benefits	446,575	482,206
Share-based compensation – directors	141,148	—
Share-based compensation – senior executive officers	344,402	—
	1,008,559	530,206

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

12. 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.

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12. Capital management (continued)

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

13. Financial instruments

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:

	December 31, 2023	December 31, 2022
	\$	\$
Cash and cash equivalents	373,110	276,730
Short-term investment	1,007,730	985,764
Trade and other receivables	38,733	196,062
Investments	27,000	—
	1,446,573	1,458,556

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 (2022 – \$nil), as management considers the credit risk to be low. No amounts were written off during the year (2022 – \$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, 2023, the Corporation had a cash and short-term investment balance of \$1,380,840 (December 31, 2022 – \$1,262,494) to settle current liabilities of \$61,699 (December 31, 2022 – \$83,740).

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.

MORIEN RESOURCES CORP.

Notes to Consolidated Financial Statements

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13. Financial instruments (continued)

b) Foreign currency risk

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

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

	December 31, 2023	December 31, 2022
	\$	\$
Cash and cash equivalents	2,142	2,468
Short-term investment	1,007,730	985,764
	1,009,872	988,232

Sensitivity to a plus or minus 10% change in the US dollar exchange rate would affect comprehensive loss and deficit by approximately \$100,730 (2022 – \$98,820).

c) Commodity price risk

The Corporation is exposed to commodity price risk in that the current royalties it receives is predicated on underlying world prices denominated in US dollars but received in Canadian dollars. 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, 2023, the Corporation has not entered into any hedging to offset risk.

d) 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 \$27,000 fair value as at December 31, 2023 (2022 – \$nil).

Fair value

During the years ended December 31, 2023 and 2022 there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities.

The Corporation's investments as at December 31, 2023 and 2022 are equity investments in two separate entities (see note 4).

The fair values of the Corporation's remaining financial assets and liabilities, which include cash and cash equivalents, short-term investment, 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.

14. Commitments

The Corporation leases shared office space on a short-term basis. Total future minimum lease payments for this space, due in 2024, are \$2,796.