



## **Management’s Discussion and Analysis Quarter Ended June 30, 2022**

This Management Discussion and Analysis (“MD&A”) dated August 18, 2022 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 unaudited condensed interim consolidated financial statements for the periods ended June 30, 2022 and 2021 and audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020 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 potential impact of the COVID-19 pandemic on the Corporation’s business, 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, and events or developments the Corporation expects, 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”) commenced production in 2017. It ceased operations in March 2020 due to adverse geologic conditions and was placed on care and maintenance. The Black Point Aggregate Project (“BP Project” or “Black Point”) has received positive environmental assessment decisions from both federal and provincial authorities and the Corporation is receiving advanced minimum royalty payments (“advanced payments”) on a quarterly basis, although production has not yet begun. Morien has a Normal Course Issuer Bid (“NCIB”), renewed annually since 2015, through which it has purchased 14 million of the Corporation’s outstanding common shares. The Corporation has been focused on identifying mineral projects to purchase, specifically additional royalty assets to complement its existing assets, but has suspended those efforts until the status and extent of the care and maintenance program at Donkin Mine is better understood.

## **Second Quarter 2022 Update**

During the three months ended June 30, 2022, the Corporation:

- Continued to dedicate significant resources to advocating for conditions that are favorable to restarting operations at the Donkin Mine and reducing, where possible, potential barriers to such a restart;
- Received an advanced payment of \$29,514 from Vulcan Materials related to the BP Project; and
- Ended the quarter with approximately \$2.0 million in working capital<sup>1</sup> (Q4 2021 - \$2.3 million).

## **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 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.

#### Events Subsequent to Quarter-End

In July 2022, the Corporation became aware that Kameron was exploring the possibility of reopening the Donkin Mine, which has been on care and maintenance since March 2022 (see Recent History below).

On July 18, 2022, local Nova Scotia media reported on an interview it conducted with Cape Breton Regional Municipality councilor James Edwards, who sits on the Donkin Community Liaison Committee. Local

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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.

media attributed Mr. Edwards as saying – “They’re [Kameron] gearing up to resume operations. To be clear, they have not received approval from the province. They still have to seek all the regulatory approvals, but they’re hopeful that they’ll meet all the requirements to do that.” To restart production, certain regulatory approvals are required from the Nova Scotia provincial government.

As evidence of Kameron’s increased activity at the Mine, Kameron posted online job positions in July for “at least 10” underground miners and a red seal underground electrician to commence full-time positions on August 1, 2022, as well as an engineer in training.

#### Recent History of the Donkin Mine

In March, 2020, Kameron announced that it was ceasing production operations at the Donkin Mine due to adverse geologic conditions. The Mine has not been sealed and is being maintained by a small staff of Kameron employees to ventilate and keep the Mine facility dewatered and properly ventilated during an idled phase of care and maintenance for an indeterminate period of time.

Before idling the Mine, Kameron was in the Development Phase of the operation where two coal sections (each containing two continuous miner units) 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 significantly 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 coal mines in the United States.

During the Development Phase, Kameron occasionally experienced localized roof instability issues at Donkin where material fell from the ceiling (roof) of certain sections of old parts of the Mine and certain sections of Kameron’s tunnel operations. These fall occurrences, however, are not uncommon to underground coal mining operations. The U.S. underground coal mine industry experiences on average 440 roof falls per year<sup>2</sup>. In Donkin’s case, all roof falls occurred in areas where the risk was already identified by Kameron employees, and precautionary measures had been taken. That is the primary reason why no one was ever injured from a roof fall at Donkin.

From 2016, when the Mine development and tunnel refurbishment work started, to the end of 2019<sup>2</sup>, Kameron’s mine injury rate was 43% less than the U.S. national underground coal mine injury rate, and none of Kameron’s injuries were related to a roof fall. Donkin’s safety record is also exemplary when compared to other Nova Scotia sectors; in 2019, Nova Scotia saw 5,663 Time Loss Claims across 19 sectors, with the Donkin operation only accounting for 0.1% of those claims<sup>3</sup>.

When roof falls occur, best practices have the operator (Kameron) notify the local safety regulator, which in Nova Scotia’s case is the Nova Scotia Department of Labour and Advanced Education (“NS LAE”). Kameron and NS LAE worked jointly to assess the cause and determine the appropriate remediation procedures.

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<sup>2</sup> U.S. Mining Safety and Health Administration

<sup>3</sup> Workers Compensation Board of Nova Scotia

Nova Scotia's underground coal-mining regulations were developed in 2001, and the Donkin Mine was the first underground coal mine to operate under those regulations. Owing to the relatively inexperienced nature of the NS LAE regulators, they had been working with the outside assistance of coal mining safety experts from the U.S. Mining Safety and Health Administration ("MSHA") to provide it with advanced expertise to properly assess any potential revisions to Kameron's ground control procedures (including roof bolting) at the Mine. On February 14, 2020, NS LAE stated in a local media publication that MSHA, who have toured the Mine in the past, reported that Kameron's previous roof control procedures at Donkin "exceeded industry best practices for safety."

In February 2020, Kameron experienced two localized roof falls in one of the operating coal sections over an area where a localized zone of roof geology differed from the typical rock strata of the Mine in that it was weaker. As with all prior roof falls at Donkin, no one was injured. Following the last roof fall, a Kameron spokesman, Paul McEachern, said on February 14, 2020 – "the miners are trained to identify signs of [rock] stress. This wasn't a sudden event. There were signs of this."

Subsequent to the two February roof falls, NS LAE issued stop work orders to Kameron, and following standard procedure, Kameron and NS LAE jointly commenced an assessment of the area of adverse geology with a plan to devise a remediation program for that specific zone and any other future similar occurrences.

However, as a result of COVID-19 related travel restrictions, MSHA consultants from the United States were not available to visit Nova Scotia to assess the geology in the area of the roof falls or to provide NS LAE with advice regarding Kameron's ground control procedures. On March 30, 2020, when Kameron made the decision to idle the Mine, the operation was still under a stop work order for the affected coal section.

As mentioned above, the Mine has not been sealed and is being maintained by a small staff of Kameron employees to ventilate and keep the facility dewatered and properly ventilated during an idled phase of care and maintenance for an indeterminate period of time.

The Corporation is unaware of Kameron's timeline to restart operations at Donkin, or if they, or any successor, will. The assessment and potential resolution of the adverse geology at Donkin will take substantial efforts by the NS LAE, MSHA experts, Kameron and other professionals in this field and will be contingent on Kameron's resolve to recommence operations based on its own unknown circumstances. If Kameron decides to undertake this process, it could take a significant amount of time, as the utmost care, caution and expertise must be deployed. It would not be accurate to categorize the time to conduct these steps as short or to say that Donkin is temporarily suspended. There is no guarantee that operations will ever recommence at Donkin under Kameron's ownership or otherwise.

#### Donkin's Positive Attributes

- The Mine has received approximately CAD \$250 million in capital investment from Kameron since 2015;
- Between 2017 and 2020, when the Mine was operational, its coal was marketed overseas primarily as a high-volatile, semi-soft B 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;
- 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 announced that it will be moving forward with 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;
- In 2021, Kameron announcement that it would voluntarily fund the installation of noise dampeners on the Mine’s ventilation fans to reduce background noise in nearby communities;
- As detailed below, coal markets have continued to improve since the mine was idled, with Atlantic-region "Semi-Soft B" coal, the metallurgical coal index which closely resembles Donkin, trading for \$240 USD/tonne, a 2.5x increase since Donkin was idled, and Atlantic-region thermal coal trading for \$320 USD/tonne, a 9.0x increase since Donkin was idled; and
- The Donkin mining lease contains a substantial coal resource (30+ 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>5</sup>.

#### Morien’s Royalties from Kameron

Morien recognized the following royalties from Kameron between Q1 2019 and Q2 2022:

*Expressed in thousands of Canadian dollars*

	Fiscal 2022		Fiscal 2021				Fiscal 2020				Fiscal 2019			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Royalty	—	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.

#### Description of Mine and Royalty Payment Potential

The Donkin Mine is permitted for run-of-mine annual production of 3.6 million tonnes, which would 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, should the Donkin Mine recommence production, could be in the order of CAD \$5 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. These values are only estimates based on assumptions that Morien management consider reasonable as of the date of this MD&A and would only be achieved if Donkin resumed operation and only if Donkin reached permitted production levels. There is a significant risk that operations may not recommence at Donkin under Kameron’s ownership or otherwise. Future results and royalties received, if any, subject primarily to production rates and coal pricing, may vary from those estimated by Morien<sup>4</sup>.

<sup>4</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

## Coal Market Update

### Recent Events

February 24, 2022, marked a significant escalation in the Russia-Ukraine war, which triggered global, geopolitical implications. Among the many negative repercussions, the disruption in energy supplies has had a significant upward impact on coal markets. Russia was the third largest coal supplier to international markets in 2021, after Australia and Indonesia, and bans on the import of Russian coal by the European Union (“EU”), the United Kingdom, Japan, and other nations is dislocating previously existing trading patterns, and placing pressure on other coal exporting nations to supply these markets. In particular, the EU’s announced ban on Russian coal imports is expected to further impact these markets when it becomes effective on August 10, 2022.

Global energy markets were already under stress prior to Russia’s invasion of Ukraine, stemming from rapid growth in global energy demand as the world returned to pre-pandemic levels of economic growth. Bolstered by substantial growth during the second half of the year, global electricity demand grew by 6% in 2021, the largest ever annual increase in absolute terms and the largest percentage increase since 2010 after the global financial crisis<sup>5</sup>. In the EU, coal consumption increased by 14% in 2021, driven mainly by gas-to-coal switching in power generation as natural gas prices rose to record levels during the second half of the year<sup>6</sup>.

According to the International Energy Association (“IEA”), global coal consumption in 2021 rebounded by 5.8% to 7.9 billion tonnes (includes both thermal and steelmaking coal), rising above 2019 levels, taking it very close to its all-time high.

In 2022, the IEA has forecast global coal demand to increase to 8 billion tonnes, matching the 2013 all-time high, and for demand to reach another all-time high in 2023.

During the first six months of 2022, the EU’s coal imports increased 49.5% year-over-year to 57.6 million tonnes<sup>7</sup>. The EU is now the fifth largest global importer of seaborne coal, after India, China, Japan and South Korea, accounting for 10.4% of global seaborne coal shipments in 1H 2022. Russia was the largest source of those coal imports at 31.5%, however, that is expected to end following the EU’s ban on Russian coal imports in mid-August.

The IEA expects the EU’s coal consumption to also rise in the second half of the year, pushed up by the need to conserve natural gas for winter amid uncertainty over Russian gas imports. Several countries in the EU (Germany, France, Netherlands, Spain, Italy, Greece, Czech Republic, Hungary and Austria) are extending the lifetimes of coal plants scheduled for closure, reopening closed plants or raising caps on working hours of coal plants to reduce natural gas consumption. The IEA expects that this will raise coal-fired power generation in the second half of 2022 and result in a year-on-year increase in the EU’s thermal coal demand of about 33 million tonnes for the full year<sup>6</sup>.

In regard to thermal coal specifically, the global market is expected to remain extremely tight in the third and fourth quarters of 2022. Major exporting countries are not responding to demand increases, with South Africa and Australia’s exports set to decline due to disrupted railways and unfavorable weather conditions<sup>6</sup>. Owing to scheduled mine closures, U.S. coal mine production is expected to remain flat over the 2022–26 period, only growing at a compound annual growth rate of 0.1%<sup>8</sup>.

In regard to metallurgical, or steelmaking, coal markets, after scaling record highs in late Q1 2022, metallurgical spot prices have since shed approximately 70% of their value, driven by falling steel prices and

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<sup>5</sup> International Energy Agency, Electricity Market Report, January 2022

<sup>6</sup> International Energy Association, Coal Market Update, July 2022

<sup>7</sup> Banchemo Costa Weekly Market Report, July 28, 2022

<sup>8</sup> Mining Technology, US coal output to remain flat for the next five years due to scheduled closures, July 28, 2022

broader recessionary fears<sup>9</sup>. However, sales of high-volatile B metallurgical coals (similar quality to that of Donkin), often cited for their stronger crossover appeal between metallurgical and thermal markets, are seeing increased demand heading into 2H 2022.

As of the date of this MD&A, the assessed price of thermal coal in the Atlantic region has risen 9x to approximately US\$320 per tonne from its 2020 low of \$36 per tonne<sup>9</sup>. Atlantic-origin, high-volatile semi-soft B coal has rebounded from a low of US\$97 per tonne in 2020 to US\$240 per tonne at the time of writing this report, a 2.5x increase<sup>9</sup>.

### Longer-Term Coal 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>10</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 plenty of high-quality steel, are expected to provide support to long-term steel demand and the steelmaking coal required to produce it. Global steel demand is forecast to grow at a compound annual growth rate (“CAGR”) of 0.6% to 2040, reaching nearly 2 billion tonnes by 2040<sup>11</sup>. As a result of steady growth in markets like India, Southeast Asia and Brazil, the demand for seaborne steelmaking coal is forecast to reach 390 million tonnes in 2040<sup>11</sup>. For the semi-soft coal variety, seaborne demand is forecast to increase at a CAGR of 1.6% in the 2020 to 2040 period<sup>11</sup>. According to global energy analytics firm, Wood Mackenzie, new steelmaking coal projects will need to be developed as a significant gap between seaborne steelmaking coal supply and demand emerges over the next decade<sup>11</sup>.

Unlike steelmaking coal, thermal coal has competition in the form of natural gas, nuclear, oil, and renewable energies. Despite all the capacity additions in renewable energy generation, wind and solar still only contribute 3% of the world’s total primary energy, versus 81% for fossil fuels (30% for oil; 27% for thermal coal; and 24% for natural gas)<sup>12</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>9</sup>.

Eighteen countries currently using thermal coal for electricity generation have agreed to phase out its use. However, these 18 countries collectively cover only 4.1% of global coal-fired generation<sup>13</sup>.

According to the 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.

A report published in April 2022 by the Global Energy Monitor found that global coal plant capacity grew by 18 gigawatts (“GW”) in 2021, or about 1%, to approximately 2,100 GW<sup>14</sup>. An additional 176 GW of coal plant capacity is under construction and 280 GW is in the planning stage.

In China, the world's largest coal market, thermal coal generated 64% of its electricity in 2021. A report published in Q4 2021 by China's State Grid Corporation said energy security concerns mean the country is likely to build as much as 150 GW of new coal-fired power capacity over the 2021-2025 period, bringing the

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<sup>9</sup> S&P Global Platts, Coal Trader International

<sup>10</sup> World Steel Association

<sup>11</sup> Wood Mackenzie, Metallurgical Coal Market Overview and Donkin Assessment, August 2021

<sup>12</sup> BP Statistical Review of World Energy 2020, 69th Edition

<sup>13</sup> International Energy Agency, Coal-Fired Power, November 2021

<sup>14</sup> Global Energy Monitor, Boom and Bust Coal 2022, April 2022

total to 1,230 GW. To put that growth into perspective, it is the equivalent of Canada's entire electrical grid<sup>15</sup>. During Q1 2022, China approved the construction of 8.6 GW of new coal power plants, nearly half the amount seen in all of 2021<sup>16</sup>. To illustrate China's stance on energy, its President, Xi Jinping, said in January – "Renewable energy must become reliable before traditional power sources are abandoned<sup>17</sup>."

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, should prices decrease, 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 demand from population growth, urbanization, and a growing middle class in the Asia-Pacific region, are expected to continue supporting coal's longevity as a competing energy source<sup>18</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. 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."

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<sup>15</sup> Reuters, China fires up giant coal power plant in face of calls for cuts, Dec 28, 2021

<sup>16</sup> Reuters, China coal plant approvals surge as energy security trumps climate, July 19, 2022

<sup>17</sup> Washington Post, With coal surge, China puts energy security and growth before climate, April 22, 2022

<sup>18</sup> BP Statistical Review of World Energy 2020, 69th Edition



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>19</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;
- Mine life of 50+ years;
- 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 \*;
- High quality, "Class-A" construction aggregate well suited for the concrete and asphalt market; 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>20</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>21</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.

In 2021, construction activity in the U.S. was supported by robust fiscal stimulus and a general reopening of the American economy, resulting in total construction starts growing by 12% compared to 2020<sup>22</sup>. The DMI had a strong 2021, rising 23% from 2020 and reaching levels not seen in nearly 14 years<sup>19</sup>. According to the U.S. Geological Survey, roughly 1,400 companies, operating 3,400 quarries, produced 1.5 billion tons of crushed stone product in 2021, a 3% increase over 2020, and a 14-year high<sup>19</sup>.

The DMI moved 2.9% in July 2022 to 179, up from a four-month low of 153 in January 2022<sup>23</sup>. Dodge attributes the increase to rising demand for commercial projects. As noted by Richard Branch, chief economist for Dodge, "The Momentum Index has yet to show signs of stress as recession fears mount. This

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<sup>19</sup> In Q3 2020, the advanced payment was adjusted for PPI to \$28,319.

<sup>20</sup> White House briefing note - The American Jobs Plan, March 2021

<sup>21</sup> U.S. Geological Survey

<sup>22</sup> Dodge Data & Analytics

<sup>23</sup> Dodge Data & Analytics, Dodge Momentum Index Rises in April, June 10, 2022

shows that developers and owners remain confident that nonresidential building projects will weather the storm of higher interest rates and a slowing economy.”

As of June 10, 2022, the U.S economy was operating at 93.3% of where it was pre-pandemic in early March 2020, according to the Moody’s Analytics/CNN Business Back to Normal Index<sup>24</sup>.

In November 2021, U.S. President Joe Biden signed into law the US\$1.2 trillion Infrastructure Investment and Jobs Act (“IIJA”). The IIJA represents the largest U.S. infrastructure investment in decades, consisting of US\$550 billion in new spending over five years, with the remaining investment comprised of previously authorized funding, including the US\$303 billion highway bill passed in May 2021<sup>25</sup>. Importantly, the \$550 billion in new spending is largely dedicated to physical infrastructure projects, such as roads, bridges, and rail. The White House has stated the IIJA is the largest federal investment in public transit in U.S. history, providing the largest federal investment in passenger rail since the creation of Amtrak, and represents the single largest dedicated bridge investment since the construction of the interstate highway system<sup>26</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 assets to purchase to complement its existing royalty portfolio. The Corporation 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 has suspended its project generation efforts until the status and extent of the care and maintenance program at the Donkin Mine is better understood. 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.

## 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		
	2021	2020	2019
Revenues	61	249	810
Corporate and administration expenses	520	628	700
Exploration and evaluation expenses	88	—	138
Loss from operations	(538)	(561)	(45)
Gain on sale of land	—	—	938
Unrealized gain on investments	173	—	—
Net income (loss) for the year	(365)	(561)	893
Basic and diluted income (loss) per share	(0.01)	(0.01)	0.02
Additions to unearned revenue	116	112	111
Purchase of shares for cancellation	119	431	772
Increase (decrease) in cash	(520)	(1,486)	168
Working capital at year-end	2,105	2,645	3,467
Cash dividends declared	—	132	532
Cash dividends declared per share	—	0.0025	0.01

<sup>24</sup> Moody’s Analytics, Back to Normal Index, May 6, 2022

<sup>25</sup> Reuters, What's in the U.S. Senate's bipartisan \$1 trillion infrastructure bill?, August 3, 2021

<sup>26</sup> White House Update: Bipartisan Infrastructure and Investment Jobs Act, August 2, 2021

## Discussion of Operations

### Three months ended June 30, 2022 and 2021

For the three months ended June 30, 2022, additions to unearned revenue from Black Point-related advanced payments are \$29,514 (2021 - \$28,319) for cumulative unearned revenue of \$547,855 as at June 30, 2022 (2021 - \$429,798).

Corporate and administration expenses amounted to \$157,991 for the three months ended June 30, 2022 (2021 - \$146,408), an increase of \$11,583. The increase in ongoing costs year-over-year is primarily attributable to increased investor relations related work.

The table below provides a breakdown of the corporate and administration expenses for the three months ended June 30, 2022 and 2021.

	For the three months ended June 30		
	2022	2021	Change
	\$	\$	\$
Employee and contract costs	71,886	71,172	714
Investor relations and communications	31,167	22,793	8,374
Office and sundry	8,948	8,147	801
Professional fees	14,573	14,667	(94)
Regulatory compliance	31,417	29,629	1,788
	<b>157,991</b>	<b>146,408</b>	<b>11,583</b>

Exploration and evaluation expenses were \$19,181 for the three months ended June 30, 2022 (2021 - \$31,126), related to the Corporation's on-going Donkin-related advocacy efforts.

Net loss for the three months ended June 30, 2022 was \$145,419 or (\$0.00) per share compared to net loss of \$186,752 or (\$0.00) per share in 2021.

### Six months ended June 30, 2022 and 2021

The Corporation recognized \$2,761 royalty revenue in the six months ended June 30, 2022 (2021 - \$60,776) from Kameron related to Donkin coal sales. The Advanced Payments received for Black Point in the six months ended June 30, 2022 of \$59,029 (2021 - \$56,639) contributes to cumulative unearned revenue of \$547,855 as at June 30, 2022 (December 31, 2021 - \$488,826).

Corporate and administration expenses amounted to \$294,545 for the six months ended June 30, 2022 (2021 - \$300,545), a decrease of \$6,000.

The table below provides a breakdown of the corporate and administration costs for the six months ended June 30, 2022 and 2021.

	For the Six Months Ended June 30		
	2022	2021	Change
	\$	\$	\$
Employee costs	147,781	156,036	(8,255)
Investor relations and communications	35,063	34,074	989
Office and sundry	18,189	18,885	(696)
Professional fees	31,741	29,555	2,186
Regulatory compliance	61,771	61,995	(224)
	<b>294,545</b>	<b>300,545</b>	<b>(6,000)</b>

Exploration and evaluation expenses were \$19,181 for the six months ended June 30, 2022 (2021 - \$31,126).

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 six months ended June 30, 2022.

Net and comprehensive loss for the six months ended June 30, 2022 was \$292,166 or (\$0.01) per share compared to net and comprehensive loss of \$288,163 or (\$0.01) per share in 2021.

## Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts	Fiscal 2022			Fiscal 2021			Fiscal 2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	—	3	—	—	—	61	43	—
Corporate & administration expenses	158	137	108	111	146	154	125	146
Share-based compensation	—	—	—	—	—	—	—	—
Exploration & evaluation expenses	19	—	13	44	31	—	—	—
(Loss) from operations	(145)	(145)	(118)	(131)	(187)	(101)	(122)	(162)
Unrealized gain on investments	—	—	173	—	—	—	—	—
Net (loss) income	(145)	(147)	55	(187)	(187)	(101)	(122)	(162)
Basic & diluted income(loss) per share	—	—	—	—	—	—	—	—
Additions to unearned revenue	30	30	30	30	28	28	28	28
Purchase of shares for cancellation	1	8	76	1	8	34	19	146
(Decrease) increase in cash	(102)	38	(186)	(133)	(75)	(126)	(154)	(1,194)
Working capital at period end	2,035	2,152	2,278	2,269	2,372	2,538	2,645	2,758

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.

## Liquidity and Capital Resources

At June 30, 2022, the Corporation had working capital of \$2.0 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 \$1.9 million, which is considered more than sufficient to meet the Corporation's operating requirements beyond 2022. The Corporation may also continue to use its cash resources to acquire outstanding common shares under its NCIB (see Outstanding Share Data). The Corporation also suspended its quarterly dividend in Q2 2020 to reduce cash outflows.

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 could range from \$5 to \$28 million per year at permitted full production of 3.0 million saleable

tonnes per year coal over the 30+ year mine life and would only be achieved if and when Donkin resumed operation and only 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 ascribed a \$nil fair value. 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”).

Subsequent to December 31, 2021, CDMN was 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 (2020 - \$nil). The shares of CDMN were sold for a realized gain and cash proceeds of \$171,496 in the three months ended March 31, 2022. Buchans and Minco are classified within Level 3 at \$nil fair value as at June 30, 2022 and December 31, 2021 due to the lack of market information and observable inputs.

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 2022, 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 cessation of operations at the Donkin Mine directly impacted Morien’s future royalty revenues. However, Morien has a working capital balance of approximately \$1.9 million and low corporate overhead expenses, in addition to an advanced payment from Vulcan for the BP Project, which collectively afford the Corporation the ability to manage these challenging times for the near-term. Notwithstanding the Corporation’s strong balance sheet, cost saving initiatives have been, and will continue to be, pursued, such as the cessation of project generation related work, decreased investor relations activity, the suspension of the Corporation’s quarterly dividend payment, and various other corporate cost reduction initiatives.

The Corporation’s ongoing focus and strategy is on advocating for conditions that are favorable to restarting operations at the Donkin Mine and reducing, where possible, potential barriers to such a restart. These efforts include, but are not limited to, correcting misconceptions in regard to differences between steelmaking and thermal coal, Donkin’s value as an exported, steelmaking coal that does not impede Canada’s clean energy transition, the Mine’s significant socio-economic contribution to Nova Scotia, strong community support, and the Mine’s excellent safety record.

If Kameron receives the necessary approval(s) to reopen the Donkin Mine, and elects to do so upon their receipt,, Morien’s Board of Directors will re-assess the reinstatement of the Corporation’s dividend program. If production at the Mine resumes, the Corporation also intends to continue its evaluation of additional royalty assets to purchase to complement its existing assets.

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.

## **Contractual Obligations**

For the 2022 fiscal year, the Corporation's only expenditure commitment related to overhead is a one-year office lease for \$2,028.

## **Off-Balance Sheet Arrangements**

As at December 31, 2021, 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.

The Corporation's quarterly dividend was intended to be step-variable in relation to Donkin Mine production expansion and coal price, having regard to the stability of cash flow and the need to maintain flexibility to secure new royalty assets. However, with Kameron's cessation of operations at the Donkin Mine, the Corporation's Board of Directors accepted Management's recommendation in April 2020 to suspend the Corporation's quarterly dividend until further notice. Notwithstanding that Morien has a 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. As stated above, when the status and extent of the care and maintenance program at the Donkin Mine is better understood, the Board will re-assess the payment of a dividend. 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 six months ended June 30, 2022, the Corporation purchased and cancelled 1,500 shares (2021 – 197,000 shares) at an average weighted price of \$5.92 per share due to the fixed costs of renewing the NCIB (2021 – \$0.21).

### **Share Capital**

As of the date of this MD&A, the Corporation has 50,586,114 common shares issued and outstanding.

### **Stock Options**

As of the date of this MD&A, the Corporation had 4,225,000 stock options outstanding with an average exercise price of \$0.42, all of which were exercisable.

## **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.

### **Share-based payments**

The Corporation issues equity-settled share-based payments to certain employees and third parties outside the Corporation. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields based on information available at the time the fair value is measured.

### **Investments**

The valuation of investments utilizes a fair value hierarchy to establish levels to classify the inputs of valuation techniques used to measure fair value. Where inputs are unobservable or markets inactive, management will assess other facts and circumstances available to determine whether there is enough certainty to ascribe a fair value in either Level 2 or Level 3.

### **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 June 30, 2022, and have not been applied in preparing these consolidated statements:

<b>New Standards or Amendments</b>	<b>Effective date</b>
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	January 1, 2023
Financial Instruments (Amendment to IFRS 9)	January 1, 2023
Disclosure of Accounting Policies (Amendment to IAS 1)	January 1, 2023
Deferred Tax (Amendments to IAS 12)	January 1, 2023

## **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.

## **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 six months ended June 30, 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.



## COVID-19

In the first quarter of 2020, COVID-19 emerged as a global pandemic, which adversely impacted the global economy, including consumer confidence, market stability, and commodity and financial markets, creating uncertainties on macroeconomic conditions. Many industries, including the mining industry, have been negatively impacted by these market conditions. During the second quarter of 2022, the elevated case rates appear to have subsided, however global supply markets and supply chain disruptions persist, resulting in shortages, extended lead times and increased inflationary pressures on the global marketplace. If increased levels of market and economic volatility continue, it may result in a material adverse effect on investor confidence, general financial market liquidity, 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 and 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>June 30, 2022</b>	December 31, 2021
	\$	\$
Cash	<b>1,169,312</b>	1,233,577
Short-term investments	<b>923,468</b>	908,735
Trade and other receivables	<b>9,188</b>	6,103
Investments	—	173,000
	<b>2,101,968</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 other receivable is held with the federal government. The Corporation has an allowance for doubtful accounts at period-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 June 30, 2022, the Corporation had cash and short-term investments of \$2,092,780 (December 31, 2021 – \$2,142,312) to settle trade and other payables of \$94,950 (December 31, 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 \$925,741 as at June 30, 2022 (December 31, 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 \$92,575 (December 31, 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 June 30, 2022 and December 31, 2021. Any change in fair value is not predictable at this point.

### **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. Regarding Donkin, the Corporation is unaware of Kameron's timeline to restart operations at Donkin, or if they (or any successor) will ever restart operations. There is no guarantee that operations will ever recommence at Donkin under Kameron's ownership or otherwise. 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.

## **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).