



ANNUAL INFORMATION FORM

**For the Fiscal Year ended
December 31, 2012**

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April 22, 2013

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GENERAL PROVISIONS

Date of Information

In this Annual Information Form ("**AIF**"), information is given as at December 31, 2012, unless stated otherwise.

Incorporation by Reference

The following documents are incorporated by reference into this AIF:

(a) the audited consolidated statements of financial position of Morien Resource Corp. ("**Corporation**" or "**Morien**") as at December 31, 2012 and 2011 and the audited consolidated statements of loss and comprehensive loss, changes in equity and cash flows of the Corporation for the years ended December 31, 2012 and 2011 together with the notes thereto included in the financial statements;

(b) management's discussion and analysis of the Corporation's operations for the year ended December 31, 2012 compared with 2011;

(c) "*Technical Report Donkin Coal Project, Cape Breton, Nova Scotia, Canada*" dated June 2011, prepared for Erdene Resource Development Corporation ("**Erdene**") by Lynn R. Partington, P.E. (Kentucky, USA), P. Eng. (Alberta, Canada), Marston & Marston Inc. ("Marston") (the "**Donkin Coal Technical Report**"). Pursuant to a Plan of Arrangement under the provisions of the *Canada Business Corporations Act*, Erdene's interest in the Donkin Coal Project was acquired by Morien. At the request of Morien, the author re-addressed and re-dated (to November 2012) the Donkin Coal Technical Report to Morien to facilitate filing on its SEDAR profile. The effective date of June, 2011 remains in effect, and the re-dated report does not contain any new information. The re-dated Donkin Coal Technical Report was filed on SEDAR on November 9, 2012.

The documents incorporated by reference are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. All documents are filed under the Corporation's name.

Currency and Exchange Rates

All currency references in this AIF are in Canadian dollars unless otherwise indicated. Reference to "United States dollars" or "U.S. dollars" or the use of the symbol "US\$" refer to United States dollars. The noon rate of exchange reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars on April 22, 2013 was \$1.00 = US\$0.9744 (US\$1.00 = Cdn\$1.0263) and on December 31, 2012 was \$1.00 = US\$1.0051 (US\$1.00 = Cdn\$0.9949).

Caution Regarding Forward-Looking Statements

This AIF contains certain "forward-looking statements" that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements may include statements regarding exploration results and budgets, mineral reserve and resource estimates, work programs, capital expenditures, mine operating costs, production targets and timetables, future commercial production, strategic plans, market price of precious metals or other statements that are not statements of fact. Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Various factors that may affect future results are discussed in or referred to in the section entitled "Risk Factors" in this AIF and include, but are not limited to, fluctuations in market prices of metals, foreign currency exchange fluctuations, risks relating to mining exploration and development including reserve estimation and costs and timing of commercial production, requirements for additional financing, political and regulatory risks, and other risks and uncertainties. Accordingly, readers should not place undue reliance on forward-looking statements.

The Corporation does not assume the obligation to revise or update these forward-looking statements after the date of this AIF, or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

CORPORATE STRUCTURE

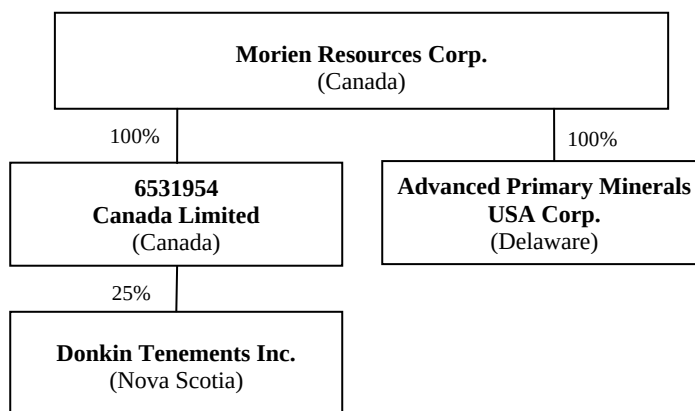
Morien Resources Corp. was formed through the amalgamation of Erdene Resources Inc. ("**ERI**") and Advanced Primary Minerals Corporation ("**APM**") by way of Plan of Arrangement ("**Arrangement**") pursuant to the provisions of the *Canada Business Corporations Act* ("**CBCA**"). The Arrangement was approved at a special meeting of shareholders held on October 26, 2012 and became effective on November 9, 2012 ("**Effective Date**").

The predecessor corporation to APM was incorporated under the *Ontario Business Corporations Act* ("**OBCA**") on September 27, 2002, as "2016507 Ontario Ltd." On November 19, 2002, 2016507 Ontario Ltd. filed articles of amendment to change its name to "Beta Minerals Inc." On November 29, 2002, Beta Minerals Inc. filed articles of amendment to remove, pursuant to ss. 168(1)(n) of the OBCA, the restrictions on share transfers. On February 27, 2009, Beta Minerals Inc. filed articles of amendment to change its name to "Advanced Primary Minerals Corporation." On December 10, 2009, pursuant to s. 168(1)(n) of the OBCA, APM filed Articles of Amendment to consolidate its authorized capital on the basis of 7:1. On July 18, 2012, APM filed Articles of Continuance and continued pursuant to the CBCA. On November 9, 2012, the Director under the CBCA issued a Certificate of Arrangement effecting the amalgamation of ERI and APM whereby, among other things, the amalgamated company was given the name "Morien Resources Corp." and adopted the by-laws of APM, *mutatis mutandis*.

The Corporation's registered and head office is located at 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, Canada B3A 4S5. Morien is currently listed on the TSX Venture Exchange under the symbol "MOX".

Intercorporate Relationships

The following diagram presents Morien's material intercorporate relationships, where each relevant subsidiary was incorporated or continued, as well as the percentage of votes attaching to all voting securities of each such subsidiary beneficially owned, controlled or directed by Morien.



GENERAL DEVELOPMENT OF THE BUSINESS

History

The following is a brief three year history of both ERI and APM prior to the amalgamation.

Erdene Resources Inc.

ERI, prior to the amalgamation that formed Morien, was a wholly owned subsidiary of Erdene Resource Development Corporation ("**Erdene**"). ERI held Erdene's 25% interest in the Donkin Coal Project through a wholly owned subsidiary, 6531954 Canada Inc. ("**6531954**"), now a wholly owned subsidiary of Morien.

In October 2008, 6531954 and Xstrata Coal Donkin Limited ("**XDCL**" or "**Xstrata**") executed a definitive joint venture agreement ("**Donkin J.V. Agreement**") and a sales agency agreement and formed Donkin Tenements Inc. ("**DTI**"), a Nova Scotia company, to hold the interests of the joint venture (including, but not limited to, the special exploration license for the Donkin Coal Resource Block, an area of some 100 square kilometres within the Sydney Coalfields, granted by the Province of Nova Scotia in June 2006) and the "**Donkin Joint Venture**" was formed. Xstrata Coal Donkin Management Limited ("**XCDM**"), a related party to XDCL, is the project manager for the Donkin Joint Venture.

On January 31, 2007, the parties to the Donkin Joint Venture entered into a five year Coal Gas Exploration Agreement (No. 31-07-01-01) under the Energy Act (Nova Scotia), which is currently held by DTI. This agreement with an expiry date of January 31, 2012 was extended by the provincial government for an additional 5 year period until January 31, 2017.

On December 18, 2008, XCDM was granted an Environmental Assessment Approval for a proposed underground exploration project to provide "sufficient information and confidence in data with respect to the subsea geology, coal quality, hydrology and methane gas regime to determine the commercial viability of developing a longwall mine at Donkin". The approval was for the use of a continuous miner system for a period of up to two years to remove an average of 2,000 tonnes of coal per day (approximately 0.5 million tonnes per annum "**Mtpa**").

A 33-year special coal lease no. 09/02 was granted to the Donkin Joint Venture on May 1, 2009, which may be renewed for a further 20 years provided the Donkin Joint Venture is working the lease and is in compliance with applicable laws.

Pursuant to the Donkin J.V. Agreement, 6531954 agreed to fund up to \$10 million in respect of expenditures incurred during the pre-feasibility phase and detailed feasibility phase of the Donkin Coal Project, provided such expenditures qualify as Canadian exploration expenses ("**CEE**") for purposes of the Income Tax Act (Canada). XCDL agreed to pay any other costs up to a maximum of \$5.0 million. Each of 6531954 and Xstrata fulfilled these obligations and, as of December 31, 2012, the parties have funded an aggregate of approximately \$38,296,000 pursuant to the Donkin J.V. Agreement, \$23,654,000 by XDCL and XCDML and \$14,642,000 by 6531954.

In February 2010, Xstrata indicated that it intended to develop the Donkin Coal Project based on sales into the coking coal market. The revised Donkin Coal Project is initially expected to utilize 4 continuous miners added incrementally over the first 18 months of production. In addition, a coal wash plant would be built on site and it is proposed that coal would be shipped from the mine site using a barge to ship system or by rail to Sydney Harbour.

In 2010, a number of key elements of the project were initiated including civil construction, engineering and pre-feasibility studies, environmental assessment studies and consultation with government officials. Mining consulting firm Marston was engaged to complete an independent National Instrument 43-101 ("**NI 43-101**") compliant review of the pre-feasibility study of the revised project scope. Marston is an international full-service mine consulting firm headquartered in St. Louis, Missouri with extensive experience in open pit and underground coal mining.

On June 30, 2011, Erdene announced the receipt of a NI 43-101 compliant technical report for the Donkin Project (the "**Donkin Coal Technical Report**") from Marston. The purpose of the Donkin Coal Technical Report was to present the results of the Pre-Feasibility Study ("**PFS**") on the Donkin Export Coking Coal Project prepared by Xstrata and the reserves defined by the PFS. The Donkin Coal Technical Report was prepared by Lynn R. Partington, P.E. (Kentucky, USA), P.Eng. (Alberta, Canada), Executive Mining Consultant, Marston.

In June 2011, a draft "Project Description document" was filed with federal and provincial regulators. This was the initial step in the Environmental Assessment process. The document seeks approval for a 2.75 Mtpa export coking and thermal coal underground mine utilizing the marine transportation option. On November 14, 2011, the Canadian Environmental Assessment Agency ("**CEA Agency**") announced its decision that the Donkin Export Coking Coal Project is to undergo a comprehensive-study-type environmental assessment. The CEA Agency prepared and released draft Environmental Impact Statement ("**EIS**") Guidelines for the project to guide the EIS preparation and identify minimum information requirements. The public was invited to submit comments to the CEA Agency by December 29, 2011. All comments were reviewed and considered before the final EIS Guidelines were finalized and issued to XCDM on February 7, 2012. On July 16, 2012, XDCM filed the Donkin Coking Coal Export Project EIS with the CEA Agency triggering a 60-day public review period. Written comments from the public were received by the CEA Agency up to the cutoff date of September 14, 2012. On April 9, 2013, the CEA Agency released a Comprehensive Study Report ("**CSR**") for the Donkin Coal Project and initiated a 30-day public review period with written comments due by May 9, 2013. The CEA Agency concluded in the CSR that "the (Donkin Coal) Project is not likely to cause significant adverse environmental effects when implementation of the proposed mitigation measures, the follow-up program and adherence to conditions and requirements related to the necessary federal permits, authorizations and approvals are taken into account." The Corporation anticipates announcements by the provincial and federal Ministers of the Environment of their respective environmental assessment decisions sometime in Q3 2013. It is anticipated that environmental approval will be received in the third quarter of 2013.

On April 26, 2012, Xstrata announced that it was seeking an operating coal company to assume its 75% interest in the Donkin Coal Project. Xstrata cited a change in its business strategy since first acquiring the project, one which now focuses on larger volume mining complexes, as the reason for choosing to sell their interest in the project. On March 19, 2013 Xstrata announced that the sale process has been impacted by the sharp downturn in the global coal market and they have thus far been unable to find an acceptable buyer for its 75% stake in the Donkin Coal Project.

Xstrata did indicate that it would be receptive to future offers for its interest in the Donkin Coal Project.

6531954 has a 60-day right of first refusal on the sale by Xstrata of its interest in the Donkin Coal Project giving it the right to match the terms of any offer received by Xstrata that Xstrata is prepared to accept.

Prior to Xstrata's April 26, 2012 announcement of its intention to sell its 75% interest, Morien designed a strategy regarding Xstrata's prospective sale as this development was anticipated and incorporated into that strategy. Morien has been working with a selection of prospective operating, marketing, coal purchasing and financial partners. Morien and its team will now vigorously pursue a path for the purchase of Xstrata's 75% interest.

Whether through a sale to a third party, or to Morien and its partners, it is expected that the Xstrata sale process will result in the selection of a company with the mining experience, technical expertise and financial capability to operate the proposed Donkin underground mine safely and efficiently. Following this sale process and on completing the CEA Agency process, it is anticipated by Morien that it will take approximately three months to receive the necessary provincial government approvals to begin tunnel refurbishment. It is also estimated by Morien that this work will take six to twelve months to complete, at which point a single continuous miner could produce first coal from the underground evaluation program.

6531954 is responsible to fund 25% of any additional expenditures incurred during the pre-feasibility phase and the detailed feasibility phase if it wishes to maintain its 25% interest in the Donkin Coal Project. It is necessary to conduct pre-feasibility work and feasibility work in order to obtain enough information to make a decision whether or not to develop a mine on the Donkin Coal Resource Block. Pursuant to an agreement between the Joint Venture Partners stemming from 6531954's commitment to disproportionately fund the first \$10 million of CEE,

upon a positive development decision, the first \$10 million of 6531954's capital obligations will be funded by XCDL. Despite the management committee of the Donkin Joint Venture not having made a positive development decision, 6531954 requested and Xstrata agreed to fund up to \$1 million of 6531954's funding obligations under the Donkin J.V. Agreement during 2012 but only whilst Xstrata remains a 75% joint venture partner, which amount will be credited against the \$10 million. As of December 31, 2012, Xstrata funded the full \$1 million of 6531954's obligations in 2012.

APM

Since 2002 and until June, 2012, APM's primary business was the development, processing and sale of its primary kaolin resources in Georgia, USA through its wholly owned subsidiary Advanced Primary Minerals USA Corp. ("**APMUSA**"). As a result of an aggressive exploration and acquisition program by APMUSA in the late 1990s, APM acquired a large, high brightness primary kaolin (clay) resource. In 2009, APMUSA completed construction of a modern clay processing plant in Dearing, Georgia. The plant processed clay from APM's Tudor primary kaolin deposit, which was permitted for mining in April 2009.

Despite encouraging results from product trials, APM was unable to secure sufficient sales to generate sustained positive cash flows. The sale of APMUSA's operating assets and select real property in Georgia was completed on June 29, 2012, following shareholder approval. The sale price of the assets, US\$893,000, was settled with US\$492,000 cash on closing and US\$401,000 in assumed liabilities. The agreement also included a royalty payable to APM on annual kaolin mined from the Tudor property in excess of 20,000 tons per year.

Following the sale of its operating assets, APM's assets comprised certain real property in McDuffie County, Georgia, leasehold and ownership interests in various non-producing properties in Georgia and the Tudor property royalty, all of which are held by APMUSA.

On June 28, 2012, APM announced that it had reached agreement in principle with Erdene to proceed with the Arrangement. On August 8, 2012, APM announced that it had entered into a definitive agreement with Erdene in respect of the Arrangement.

Morien

Following the completion of the Arrangement, Morien has continued the businesses of ERI and APM. Morien is now concentrated on the exploration and development of the Donkin Coal Project, previously held by ERI. In addition, Morien, through its wholly owned subsidiary, APMUSA, owns interests in various non-producing properties in Georgia and a royalty in kaolin production from the Tudor property.

DESCRIPTION OF THE BUSINESS OF THE CORPORATION

General

Stated Business Objectives

The primary objective of Morien is to participate in the development of the Donkin Coal Project, held by the Donkin Joint Venture in which Morien has a 25% interest and XCDL has a 75% interest.

Current efforts by the Donkin Joint Venture are focused on procuring the required environmental and related permitting to commence underground development that will lead to definitive mining plans and, ultimately, full scale commercial production. Additional efforts by Morien are dedicated to purchasing all, or a portion of, or assisting a third party in the purchase of, Xstrata's 75% interest.

Milestones

Several technical and environmental studies have been completed or are under way. An Environmental Impact Statement, prepared in response to comprehensive guidelines released by the federal government on February 7, 2012, was completed and submitted for review on July 16, 2012. The 60-day public review period ended on September 14, 2012. On April 9, 2013, the CEA Agency released a Comprehensive Study Report ("CSR") for the Donkin Coal Project and initiated a 30-day public review period with written comments due by May 9, 2013. The CEA Agency concluded in the CSR that "the (Donkin Coal) Project is not likely to cause significant adverse environmental effects when implementation of the proposed mitigation measures, the follow-up program and adherence to conditions and requirements related to the necessary federal permits, authorizations and approvals are taken into account." The Corporation anticipates announcements by the provincial and federal Ministers of the Environment of their respective environmental assessment decisions sometime in Q3 2013. It is anticipated that environmental approval will be received in the third quarter of 2013. After receipt, the Donkin Joint Venture will begin the process of permitting and remediating the existing infrastructure to allow for the commencement of underground development.

Exploration and Development

Over the coming months, Morien will use its available funds to participate in the permitting and evaluation process, contribute to its share of care and maintenance operations (to the extent that these expenses are not covered by XCDL) and continue as a public company. Morien will also, on a selective basis, evaluate other opportunities to grow and diversify its business.

Description of Mineral Properties

Morien holds a 25% interest in the Donkin Coal Project, the details of which are described below.

Social and Environmental Policies

The Corporation works with communities in its project areas through programs sponsored by its project partners. For example, the Donkin Joint Venture has established a strong working relationship with local stakeholders in the Donkin-Port Morien area of Cape Breton, Nova Scotia through a Community Liaison Committee ("CLC"). The CLC meets regularly and has proven to be a very effective forum for both the company and the community to share information and discuss concerns.

The Corporation is also the Presenting Sponsor of Catapult, a non-profit camp in Nova Scotia that focuses on enhancing leadership skills in young people before they start high school. The program is geared toward teens who would not likely otherwise have the opportunity to participate in this type of leadership training.

Risk Factors

The Corporation has identified the following potentially significant inherent risks and uncertainties of its business and its present stage of development. This discussion, by its nature, is not all-inclusive. It is not a guarantee that other factors will or will not affect the Corporation in the future.

Exploration, Development and Mining Risks

Resource exploration, development and operations are highly speculative and characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish mineral resources and mineral reserves, to develop metallurgical processes to

extract the mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

The Donkin Coal Project is in the early development stage only and is without a known body of commercial ore. Development of the Donkin Coal Project would follow only if further favourable results are obtained. Until the Donkin Coal Project reaches the production stage, the Corporation will not have any significant revenue and will be entirely dependent on future financings for its income. There is no guarantee that the Donkin Coal Project will ever reach the production stage.

No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; mineral prices; and government regulations, including but not limited to regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital.

Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond the control of the Corporation. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration activities to be undertaken by the operation of the Donkin Coal Project.

No Assurance of Title

While the operation of the Donkin Coal Project has registered its mineral leases with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the claims have not been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Corporation's properties may also be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by these and other undetected defects.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation and the operator of the Donkin Coal Project may decide not to take out insurance against such risks as a result of high premiums or other reasons.

Environmental and Safety Regulations and Risks

All of the Corporation's operations will be subject to environmental regulations, which can make operations expensive or prohibit them altogether.

The Corporation may be subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur as a result of its mineral exploration, development and production. In addition, environmental hazards may exist on a property in which the Corporation directly or indirectly holds an interest that are unknown to the Corporation at present that have been caused by previous or existing owners or operators of the property. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Corporation is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Corporation. If the Corporation is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Corporation.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. The Corporation intends to minimize potential risks and liabilities associated with pollution of the environment and the disposal of waste products by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to international environmental standards. There is also a risk that the environmental laws and regulations may become more onerous, making the Corporation's operations more expensive.

Non-Operator

The Corporation is a 25% owner of the Donkin Coal Project and is not the project operator. There is no assurance that the current operator, or its successor, if any, will continue with the development of the project in a manner that is beneficial, or most beneficial, to the Corporation. The Corporation's rights and obligations in connection with the Donkin Coal Project are subject to the terms of a joint venture agreement and a sales agency agreement with the majority owner of the Donkin Coal Project.

Future Losses and Production Expenses

There can be no assurance that significant losses will not occur in the near future or that the Corporation will be profitable in the future. The Corporation's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and, if warranted, commercial production of the Donkin Coal Project and any other properties the Corporation may acquire, are added as needed.

Competition

The international coal mining industry is highly competitive and the Corporation will compete with other mining companies, many of which have greater resources and experience.

Marketability

The marketability of coal owned by the Corporation, or which may be acquired or discovered by the Corporation, will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, the proximity and capacity of coal markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting coal and environmental protection. A combination of one or more of these factors may result in the Corporation not receiving an adequate return on invested capital.

Additional Funding Requirements

Substantial additional funds will be required for the Corporation's financial commitments and for the establishment of any future mining operations. No assurances can be given that the Corporation will be able to raise the additional funding that may be required for such activities.

Reserve and Resource Estimates

The coal reserves and resources for the Donkin Coal Project, as set forth in "Description of the Business - Mineral Projects - Donkin Coal Project", are only estimates. No assurance can be given that the estimated coal reserves and resources will be recovered or at what rate they will be recovered.

Limited Operating History

There is no assurance that the Corporation will earn profits in the future, or that profitability, if achieved, will be sustained. If the Corporation does not have sufficient capital to fund its operations, it may be required to forego certain business opportunities, or be subject to having its interest diluted or lost in existing properties.

Future Capital Requirements

The Corporation will require additional financing in order to grow and expand its operations. The Corporation will require additional financing in order to bring the Donkin Coal Project into production. It is possible that required future financing will not be available or, if available, will not be available on favourable terms.

Dependence on Management and Employees

Shareholders of the Corporation will rely upon the experience and expertise of the management and employees of the Corporation and of the operator of the Donkin Coal Project. The Corporation's success is dependent upon its ability to attract and retain experienced management and employees. The loss of any key personnel could have an adverse effect on the Corporation.

Management of Growth

Any expansion of the Corporation's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it may experience. There can be no assurance that the Corporation will be able to manage growth successfully. Any inability of the Corporation to manage growth successfully could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Government Regulations

The Corporation may be subject to various laws, regulations, regulatory actions and court decisions that may have negative effects on the Corporation. Changes in the regulatory environment imposed upon the Corporation could adversely affect the ability of the Corporation to attain its corporate objectives.

Equipment Costs

Growth in global mining activities can create a demand for mining equipment and related supplies that exceeds supply. As a result, future operations could be adversely affected if the Corporation or its contractors encounter difficulties obtaining equipment, tires and other supplies on a timely basis. Expansion activities, construction projects underway, production and productivity, and costs could be materially affected.

Litigation

Legal proceedings may arise from time to time in the course of the Corporation's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Such litigation may be brought against the Corporation in the future from time to time or the Corporation may be subject to another form of litigation.

Health and Safety

The Corporation's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and/or penalties being assessed against the Corporation.

Mineral Projects - Donkin Coal Project

Unless otherwise indicated, the following information is summarized from the Donkin Coal Technical Report, being the technical report "*Technical Report: Donkin Coal Project, Cape Breton, Nova Scotia, Canada*", dated June 2011 prepared for Erdene by Lynn Partington, P.E. (Kentucky, USA), P.Eng. (Alberta) of Marston. The purpose of the Donkin Coal Technical Report, which is incorporated by reference into this AIF, was to present the results of the Pre-Feasibility Study ("**PFS**") on the Donkin Export Coking Coal Project prepared by Xstrata and the reserves defined by the PFS. Pursuant to the Plan of Arrangement under the provisions of the *Canada Business Corporations Act*, Erdene's interest in the Donkin Coal Project was acquired by Morien. At the request of Morien, the author, Lynn R. Partington, re-addressed the report to Morien and re-dated it to November 2012 to facilitate Morien filing the report on its SEDAR profile. The effective date of June, 2011 remains in effect, and the re-dated report does not contain any new information. The re-dated Donkin Coal Technical Report was filed on SEDAR by Morien on November 9, 2012.

Property Description and Location

The Donkin property is located approximately 28.5 km east of the city of Sydney, Cape Breton County, Nova Scotia, Canada and the resource block comprises an area of roughly 100,000 ha. The coal resource lies under the Atlantic Ocean and is accessible by two decline drifts currently extending some 3.6 km from the surface. The coordinates for the surface location of the two tunnels is approximately 745,088E; 5,118,733N (NAD83 - UTM Zone 20).

Mineral Tenure

In December 2005 the Nova Scotia Department of Natural Resources ("**NSDNR**") announced that the Donkin Coal Alliance ("**DCA**") was the successful proponent for the Donkin Coal Project. The DCA and the NSDNR entered into an agreement dated May 31, 2006 for Special Coal License No. 2/06. In addition, on January 31, 2007, the Province, as represented by the Minister of the Department of Energy, and the DCA entered into a Coal Gas Exploration Agreement (No. 07-31-01-01) which authorized the DCA to explore for coal gas in the Donkin Resource Block. In January 2012 this exploration agreement was renewed for an additional 5 years ending in January 2017. The May 31, 2006 award of the Special Coal License allowed the DCA to access the site previously operated by Cape Breton Development Corporation ("**CBDC**") (also known as DEVCO).

In October 2008, XCDL and Erdene executed a definitive joint venture agreement and a sales agency agreement and formed Donkin Tenements Inc. ("**DTI**"), a Nova Scotia company, to hold certain of the interest of the joint venture and the DCA was renamed the "**Donkin Joint Venture**". As a normal progression from the Special Coal License, a 33-year Special Lease was granted to DTI on May 1, 2009 by NSDNR. The Special Lease is renewable for an additional 20 years and grants the Donkin Joint Venture the exclusive right to coal within the lease boundary.

Royalties, Back-payments, Other Encumbrances

In 2003, the CBDC surrendered the mineral rights to the Donkin Resource Block to the Province of Nova Scotia. There are no back-in rights, payments, or other agreements and encumbrances to which the property is subject. Nova Scotia charges a royalty for coal produced, prescribed under section 174 of the Mineral Resources Act (Nova Scotia) and the Mineral Resource Regulations, Section 71(d), at \$1.09 per short ton (\$1.20 per metric tonne).

The province also collects revenue in the form of an annual mining lease rental fee. The mining lease rental rate in Nova Scotia is currently set at \$100 per 40 acre (16 ha) claim per year. The Special Lease requires a nominal rental amount of \$1 per year for the first four years of the lease; then the rental increases to \$136,192 in May 2013. This amount is based on current regulatory fees.

Environmental Liabilities

Other than general regulatory requirements, if the project was terminated at the current phase of the project, XCDM would be required to remove surface infrastructure for which no alternatives have been identified, safely abandon and close the mine tunnels and restore the project site in a manner that enables its reuse for another purpose or its rehabilitation as natural areas. The environmental liabilities will change if the project progresses to feasibility stage.

Permit Requirements

In addition to the Special Coal License and Special Lease referred to above, certain permits and approvals related to mineral resource management are issued by NSDNR under authority of the Mineral Resources Act ("MRA"). They include exploration licenses, excavation permits, letters of authority, mining leases and various related permits. A requirement of all permits and approvals granted under authority of the MRA is that work must be conducted in compliance with the Occupational Health & Safety Act and Regulations thereunder and the Environment Act and Regulations thereunder.

As noted above, the Donkin Coal Project has an existing environmental permit which allows for exploration phase development work to prepare an unwashed thermal coal product at the mine both on the surface and underground; and use of a continuous miner ("CM") system for up to two years to remove an average of 2,000 tonnes of coal per day (approximately 0.5 million tonnes per annum ("Mtpa")). A new Environmental Assessment ("EA") for full mine production is underway with a decision expected in Q3 2013. See "Environmental Considerations" below.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Donkin property is located on Cape Breton Island, Nova Scotia approximately 28.5 km east of the city of Sydney and 6.6 km east of the town of Glace Bay. Paved roads extend from Sydney to within approximately 1 km of the site with a newly constructed all-weather gravel road extending the remaining 1 km. The property is approximately 14 km east of the regional airport.

Xstrata Coal currently owns approximately 99% of the land on the Donkin Peninsula. The land was purchased by Xstrata Coal from CBDC and includes all the land that would be required onsite including the mine tunnels, the CBDC settling pond and all land required for site facilities including the access road and transport corridor. A portion of a proposed rail transport corridor was also purchased by Xstrata Coal. Much of the corridor was a rail line to the townships of Donkin and Louisbourg, which has not had a rail line since the 1960s.

Cape Breton is located at 46°N latitude but is temperate by Canadian standards because of its location in the Atlantic Ocean. Although weather is not expected to have a significant impact on the operation of the mine and coal processing facilities, it is an important planning factor for the potential marine shipping option. The potential loading and transshipment sites are located on the Eastern Coast of Cape Breton Island. As such, the site is exposed to the North Atlantic Ocean and is affected by the storms, wind, ice and waves generated in the Atlantic Ocean. As loading or transshipment operations would be in close proximity to the coastline, there is some sheltering provided by local islands and headlands, but the sites remain fully exposed to wind and waves that originate from the northeast to southeast sectors. There is large seasonal variation as winter storms produce high winds and large sea states, whereas summer provides substantially calmer wind and sea states.

Ausenco Sandwell carried out a Marine Options Study and a significant portion of their report was dedicated to analyzing the potential impact of weather on the various transshipping options. Ausenco Sandwell concluded:

"that the development of a suitable facility for the berthing and loading of all three main types of marine fleet considered is technically feasible and with good design the annual throughput level of 2.75 Mt/y can be achieved. This can be achieved through judicious management of the loading from May to September prime loading months, and with October, November, December and early January becoming less favourable due to seas,

swell and wind (non-winter ice period where the down time due to ice is 0%)." [The non-winter ice period is the period (Oct-Jan) when there is no ice, but loading may be impacted by other climatic conditions.]

Existing infrastructure includes the two dewatered tunnels providing access to the Harbour Seam; a metal storage building being utilized as an office, storage, and maintenance facility; generators for power to the storage building, mine fans and pumps; an access road; sediment control structures; and, sufficient land to accommodate all proposed facility requirements. A high voltage power line is located at Victoria Junction approximately 25 km from the site.

History

The Sydney area of Cape Breton has a long history of coal mining beginning with the inhabitants of Fortress Louisbourg in 1713. Mining in the submarine portion of the coal field has taken place at numerous entrances over a 134-year history. Historically, extensive underground mining has been conducted west of the Donkin Coal Resource Block. The most recent underground mines were all owned by CBDC. Mining was conducted by room and pillar as well as longwall methods. Principal underground mining operations in the Sydney coalfield ceased with the closure of the last operating mine in the fall of 2001. Historical coal production from the Sydney coalfield, west of the Donkin Coal Resource Block, totaled 329 million tonnes by 2001. Since the mines were closed, extensive closure and reclamation activities have taken place throughout the Sydney Coalfields.

The Donkin Coal Project now represents the most eastern extension of the coalfield that is accessible from the north coast of Cape Breton and is the last primary block of un-mined coal that has the potential to be mined from the coast.

Between 1977 and 1987, CBDC evaluated the mining potential of the Donkin Coal Resource Block. Extensive work efforts and funds (reportedly in excess of \$100M) were expended to conduct exploration programs, define the coal resource, access the coal deposit, and evaluate potential mining operations.

Exploration of the Donkin Coal Resource Block began in 1977 with the drilling of coal seams from a drill ship. This work continued into 1978 and 1979, with a total of 11 holes drilled during the three-year period. The coal seams encountered in the Donkin Coal Resource Block of primary interest are the Harbour, Hub and Lloyd Cove. The Harbour seam, because of its consistency across the resource block, has typically been the primary point of focus for the resource. In addition, numerous geological and geotechnical studies were conducted and include: Marine Bottom and Sub-bottom Geophysical Surveys; Offshore Seismic Surveys; Sparker Surveys; Resource Estimation Studies; Coal Quality Estimation; and Geologic Model Development (Electronic Version). The exploration efforts culminated in the drivage of two tunnels to intersect the Harbour Seam. These side-by side tunnels generally measure 7.6 m in diameter and are approximately 3.6 km in length. The tunnels accessed the Harbour Seam where a crosscut was driven in the coal seam to allow channel samples and bulk samples to be taken. In 1992, CBDC sealed both of the tunnels with bulkheads and allowed the tunnels to flood.

After receiving the necessary regulatory approvals, XCDM breached the tunnel seals and commenced pumping water from the tunnels in late 2006 in order to reclaim access to the Harbour Seam coal face. The tunnels have been drained and access to the Harbour Seam re-established. The tunnels will require extensive renovation before full scale mining can commence.

Other than the coal extracted during the construction of the tunnels, there has been no production from the property. The tunnel construction coal was used for coal quality testing purposes. An additional strip sample (DHC01) was extracted from near a previous channel sample (T2) by XCDM in October 2007 and was also used for testing purposes.

Geological Setting

The Donkin Coal Resource Block is located within the Sydney coal basin located along the northeastern coastline of Cape Breton Island, mostly off shore, under the Atlantic Ocean. The basin structure was determined by geophysical methods in 1976 and is described as a relatively simple basin, with the beds dipping towards the deeper and central parts of the basin (20 km north of Donkin license), steeper along the coastline and becoming flatter

offshore. Along the southern boundary of the basin (Cape Breton coastline), a marginal fold belt exists, with north-easterly trending folds and minor faulting affecting the Sydney area underground mines.

The depositional environment was largely fluvial. The river systems had their headwaters in a mountainous upland whose present-day eroded remnants are represented by the crystalline rocks of the Forchu/East Bay structural blocks and the Cape Breton Highlands. Early clastic deposition and a later initiation of major peat deposition occurred in the southeastern part of the basin. Sediments accumulated in an alluvial flood plain setting in a subsiding ancient river valley. The major structural features of the Sydney coalfield are the bounding faults (the Mountain Fault on the west and the Mira River/Bateston Fault on the southeast) and the large-scale folds, which define a broad structure known as the Sydney Synclinorium.

Coal-bearing rocks in the Sydney area are of Carboniferous age, Westphalian series Morien Group, comprising an interbedded succession of shales, claystones, siltstones, sandstones and coal. Significant peat accumulation began with the formation of the Tracey seam, the lowest mineable seam in the section. The progressive westward onlap of younger seams reflects the overall development of the Morien Group. The later seams (Harbour, Hub, and Point Aconi) are well developed over most of the basin. Throughout Morien time the center of deposition remained in the eastern Donkin area where the seams attained their greatest thickness. Drill holes in the Donkin area intersect seams from the Point Aconi Seam to the Phalen Seam in an interval approximately 400 m thick. A total of 11 coal seams occur throughout the Sydney Basin.

Local Geology

Eight coal seams have been intersected in the Donkin area ranging in thickness from 0.5 m to 3.5 m and are typically separated by more than 70 m of interburden. The Harbour Seam is the seam targeted for initial mining at Donkin, and the seam for which most data has been gathered and studied historically. It has been successfully mined at several mines in the Sydney Coalfield.

The floor of the Harbour Seam shows a reasonably consistent grade from outcrop on the sea floor to a depth of more than 1000 m in the northern part of the licence. The grade across the licence area ranges from 14 to 5 degrees. The other seams in the Morien Group display similar characteristics, as the interburden between seams is quite consistent. The Harbour Seam increases in thickness from 1.9 m to 3.6 m towards the east across the Donkin licence.

The other two seams of potential economic interest within the Donkin licence, the Lloyd Cove and Hub seams, occur approximately 160 m and 95 m respectively above the Harbour Seam. The Hub Seam splits into two sections in the Donkin area, and also in the No 7 Colliery to the west of Donkin. In the west of the Donkin licence, the Hub Upper ply is between 2.1 and 2.6 m thick whereas the Hub Lower ply is commonly between 0.4 m and 0.7 m thick. Where the plies coalesce in the eastern part of the licence area, the Hub Seam is between 3.2 and 4.9 m thick.

The Lloyd Cove Seam is the thickest seam in the Donkin area, ranging from 3.1 to 3.6 m. It is very uniform in character and does not display any seam splitting. The immediate roof and floor strata of the Lloyd Cove Seam is generally a siltstone or shale. The seam was intersected in four of the offshore holes, and is the shallowest seam regarded as an underground resource at Donkin.

The non-coal interburden strata show complex patterns of only three facies, the result of which is that the roof strata will tend to be quite variable and difficult to predict in advance. Based on observations recorded at Phalen and other mines, the lithologies in the three facies are: channel facies, flood plain facies and back-swamp facies. There appears to be a coalfield-wide pattern of fewer channel facies in the upper seams. At No 26 and Langan Mines, the channel sandstone facies included linear sandstone bodies in the Harbour Seam roof and caused washouts at the top of the seam in places.

Structural Geology

The Sydney Coalfield has a long history of coal mining that has confirmed a low level of structural disturbance throughout the coalfield. Although the strata exhibit broad folding and seam rolls can be quite common,

the incidence of faulting, and in particular faults with sufficient displacement to seriously disrupt mining operations, is quite rare in the Sydney Coalfield.

The Donkin Fault, in the eastern part of the Donkin area, appears to be a more significant structure than has been intersected in any mines in the coalfield to date. It was identified in the 1978 marine sparker survey, which prompted detailed seismic survey, designed to assist in determining the nature of the disturbance, and any other features across the licence area. The Donkin Fault was initially interpreted to be a thrust fault, with approximately 20 m throw near its western limit increasing to 120 m displacement towards the east. Review of the reprocessed seismic data has revised the interpretation of the Donkin Fault – it may be a normal fault, reactivated along a basement feature. The fault is associated with an anticline termed the Flint Flexure.

Exploration

The Province of Nova Scotia granted a Special Exploration License to the Donkin Coal Alliance in June 2006 and the land surrounding the Donkin site was secured. Senior-staff were appointed to the Glace Bay office, which was officially opened on June 8, 2006. Concurrent with site rehabilitation work to reopen the access tunnels, a comprehensive review of all historical data was undertaken culminating in the "Technical Report Donkin Coal Project, Cape Breton, Nova Scotia, Canada" dated April 2007, prepared by Kerry J. Whitby BSc, FAusIMM, McElroy Bryan Geological Services ("MBGS"). This report compiled all historical information on the Donkin Coal project, developed an updated model of the deposit and included an updated resource estimate for the Donkin Coal Resource Block.

After receiving the necessary regulatory approvals, XCDM breached the tunnel seals and commenced pumping water from the tunnels in late 2006 in order to reclaim access to the Harbour Seam coal face. This work is now complete and unimpeded access to the Harbour Seam is possible. In 2007, a bulk sample was taken from the Harbour Seam and sent to Australia for testing and analysis.

Compilation of Previous Exploration Results

MBGS carried out a comprehensive review of the previous exploration programs and results. The previous work was carried out by CBDC between 1977 and 1987 and included 11 offshore drill holes, a sparker survey (a marine seismo-acoustic reflection survey with shallow sea floor penetration), a seismic survey, tunneling (two parallel tunnels 50m apart providing access to the Harbour Seam 200m BSL), bulk sampling and strip sampling of the Harbour Seam (from the cross-cut at the base of the two tunnels) and coal quality studies. In addition, the Geological Survey of Canada Atlantic carried out a bathymetry survey of the central part of the Donkin area in 1995 which provided detailed images of the sea floor.

Due to the difficulties of exploration below the seabed, historical mine development was based on inference and experience from the existing mining areas and very limited drilling. Drilling by ship is often difficult, expensive and sterilizes a significant block of coal from future mining. As a result, the risk profiles for this type of property and the assessment methods differ from land-based coal resources.

The information from the drilling and seismic exploration historical mining and coal marketing/utilisation studies provide valuable information in evaluating the Donkin coal deposit and the Sydney Coalfield in general. Donkin has 11 drill holes within the licence area, high resolution 2D seismic survey lines across the lease and mine data from neighbouring underground Harbour Seam mines No. 20 and No. 26. This information amounts to substantially more than the amount of data that previous Sydney Coalfield mines had to work with before mining commenced.

XCDM Exploration Activities

A sampling program was carried out in June 2006 with a 400 kg sample collected from the Harbour Seam during underground sampling at the adjacent Glace Bay Miners' Museum (referred to as the Miners' Museum bulk sample) and delivered to Australia for testing and analysis at CCI Newcastle laboratory, under the supervision of A&B Mylec, coal quality consultants. A full range of tests were carried out, including raw coal analysis, drop shatter and sizing, washability analysis and clean coal tests.

Commencing in May 2006, XCDM re-processed the original 1981 2D seismic data with several geophysicists from Australia involved to maximize the amount of information gained from the data. Interpretation of the re-processed data was carried out at Velseis Processing of Brisbane, Australia. The re-processed data identified Harbour Seam floor elevation along each seismic line and this data will be used in future generations of the Donkin geological model. The seismic data successfully identified the Flint Flexure (fold and fault complex) and has interpreted a number of possible faults with smaller displacements.

In October 2007, a strip sample (DCH-01) was collected from the Harbour Seam exposed in the cross-cut at the base of the tunnels, near the location of the strip samples taken by CBDC in 1985. The sample location was selected because of the excellent access to the entire Harbour Seam profile at this location. The sample was collected by ply and included roof and floor material. The plys, and roof and floor material were collected as separate sample and labelled accordingly, sealed in 45 gallon drums and shipped to Australia as quickly as practical, to prevent oxidation of the coal. ACIRL Ltd., Maitland, New South Wales, Australia was the laboratory that performed all of the coal quality analysis.

Drilling

All drilling within the license area was carried out by CBDC between 1977 and 1979. A total of 11 drill holes were completed with selective coring of the coal intervals. In some instances where coal seam core recovery was poor, sidewall cores were taken. A geophysical log suite, was run in each hole by Schlumberger Canada Ltd. comprising gamma ray formation density, caliper, geodip, continuous dipmeter +/- sonic and neutron logs +/- microlaterologs and dual induction laterologs.

The final drill pattern comprised 3 east-west drill lines. The southernmost line had 5 holes, between 1km and 2km apart. The middle line, approximately 2.5km north of the southern line, had 4 holes between 2.5km and 3.5km apart and the northern line, approximately 2km north of the middle line, had 2 holes, 4km apart.

A Well History Report was prepared for each drill hole, and included hole details, a drilling diary, rod and casing use record, geological descriptions, casing and abandonment records. All holes were reportedly cleaned out and grouted from the base of the hole to the sea floor on completion. Samples of the cement were taken at regular intervals to ensure the seal material was competent.

Sampling and Analysis

Drill Core (CBDC)

During the drill programs in 1978 and 1979, the coal core was described by CBDC geologists on board the ship, then re-logged and sampled for analysis on shore within days of drilling. Laboratory testing of the core commenced within a week of drilling in most cases. Records of broken coal and core loss are variable – in a few logs these records are well kept and an attempt has been made to account for core loss. Insufficient core for representative analysis was recovered from the first series of holes drilled in 1977 so only analysis of sidewall samples exists for these holes. There was insufficient volume of coal from these sidewall samples to give meaningful results and they were not included in the resource estimation process.

Seam cores recovered from the 1978 and 1979 holes were commonly sampled in some detail – divided into plies at visible partings or otherwise at approximately 0.15 m intervals (approx 6"). Testing of "half-cores" was conducted in Calgary, Alberta. Some sub-samples were combined for further testing; however the majority of testing was conducted on the sub-samples, which provided some flexibility in the study of potential working sections.

Bulk Sampling (XCDM)

XCDM extracted two bulk samples, one from the Glace Bay Miners' Museum in 2006 and the other from the base of the access tunnels in 2007 (DCH01). Both were taken from the Harbour Seam. In both cases, the coal face was 'cleaned' by removal of the outer layer of coal so that samples taken were from 'fresh' un-oxidized coal.

The Miners' Museum bulk sample was taken from a 0.38m x 0.38m section of the coal seam using a pick and placed into plastic bags, taking care to capture all fines. The plastic bags were labelled and sealed into 45-gallon drums sealed for transport to Australia for testing and analysis at CCI Newcastle laboratory, under the supervision of A&B Mylec, coal quality consultants. A full range of tests were carried out, including raw coal analysis, drop shatter and sizing, washability analysis and clean coal tests.

The Donkin tunnel Harbour Seam sample (DCH01) was collected on a ply-by-ply basis and included roof and floor material using a manually operated compressed air chipping hammer. Total thickness sampled, including roof and floor material was 3.38m. The five in-seam plys (ranging in thickness from 0.04m to 2.42m), and roof and floor material (0.1m and 0.15m, respectively), considered out-of-seam-dilution ("**OSD**"), were collected from a 1m wide strip as separate samples and labelled accordingly and sealed in 45 gallon drums before being shipped to Australia as quickly as practical, to prevent oxidation of the coal. ACIRL Ltd., Maitland, New South Wales, Australia was the laboratory that performed all of the coal quality analysis.

Sample DCH01 was taken from the same area (number 2 cross-cut) as the five strip samples (T2, SS1, SS2, SS3 and SS4) that were extracted in 1985 by CBDC. The DCH01 sample was used to compare coal quality results with the five CBDC samples taken at the Harbour Seam intersection at the base of the tunnels (see Table 1, below). In addition, DCH01 was used for washability testing for preparation plant design and for metallurgical coal characterization. The sample quality can reasonably be considered as representative of the coal quality within indicated distance of the sample location but does not represent the resource as a whole.

Table 1 - Tunnel Channel Sample Raw Qualities

Parameters	DHC01	T2	SS1	SS2	SS3	SS4	Average
Thickness (m)	3.13	3.58	4.03	3.45	3.44	3.44	3.51
Ash (%)	8.9	9.2	8.0	5.8	6.9	7.7	7.8
Total Sulphur (%)	4.45	4.02	5.15	3.29	3.45	3.45	3.97

The average results of all six strip samples have been assumed to represent raw quality at the base of the tunnel.

Security of Samples

Other than XCDM transporting the 45-gallon steel drums for the two bulk samples of coal to Kuehne + Nagel Ltd. in Halifax, Nova Scotia for shipping to Australia, there was no special sample security protocol. A shipping manifest was maintained, and the samples were inspected by Australian customs.

Data Verification

Data verification and limitations for the data used for resource determination as well as mine planning and economic analysis are identified below.

- Potential inaccuracies with original survey of shore to ship for offshore holes, this may result in errors in drill hole location of +/- 15 m to 30 m.
- Possible errors associated with determining geophysical log datum point on board the ship, resulting in a possible error of approximately +/- 5 m to 10 m in seam depth from sea floor.
- Hole deviation data is available for the offshore holes to obtain the survey of the seam at seam level, however this has not yet been utilized in the geological model.
- Poorly aligned geodip, core and density logs led to some uncertainty in seam thickness in the offshore holes. The potential seam thickness error from the low resolution of the geophysical logs is in the order of +/- 0.15 m, while the potential thickness error from the mismatching data sets may be up to 0.6 m.
- The quality of lithological data collected from the offshore holes is variable; some are adequate while others do not appear to have captured all relevant information.

- No geotechnical data (rock strength, discontinuity descriptions etc) was recorded in core descriptions in the offshore holes, however relevant data, such as roof and floor conditions from the nearby historical underground mines is a useful guide to indicative underground mining conditions likely to be experienced at Donkin.
- Drill hole spacing is such that sandstone channels or other zones of geotechnical significance, if present, are unlikely to be detected by drilling. The re-processed seismic data has not identified any such strata anomalies.
- Drill hole spacing is inadequate to identify local variability in seam floor dip, seam rolls etc., if present.
- The accuracy of the ship navigation with respect to the seismic surveys is likely to be within 20 m-50 m of actual position. Resolution in the vertical direction appears to be quite good, within 5 m, and some faults with interpreted throws in excess of 5 m have been resolved.
- There is a paucity of core loss records, thereby making a judgment on reliability of drill results less certain. The core that was recovered was cut in half prior to analysis. The 1978-1979 coal cores were supplemented by sidewall cores, which are not representative of the whole seam quality. The 1977 holes recovered sidewall cores only.
- There is a general lack of reliable coal quality information especially in the east and northeast of the license.
- No seam gas content and strata permeability measurements were recorded in the Donkin drill holes.
- While these issues need to be addressed in the future, none is considered to be material to the viability of the project as a whole. Where there was doubt, a conservative seam thickness was chosen so that coal resources were unlikely to be overestimated. The issue of poorly understood core loss has not yet been resolved, however the main impact is on the accuracy of some of the detailed coal quality data and in general, the influence of core loss will tend to underestimate the quality of the deposit since the better quality, friable, vitrinite-rich coal is the most likely to be affected by core loss. The impact on the resource estimate is not considered to be significant.

Mineralization - Coal Quality

Coal quality data for the Donkin Project in the Harbour Seam was obtained from five sources:

- A series of bore cores drilled in the late 1970s, which were sampled on a ply-by-ply basis prior to extensive raw coal analysis. Seam composites of the ply samples were created and subjected to washability and clean coal analysis.
- A series of five channel samples extracted from the Harbour Seam at the base of the tunnel. These samples were analyzed on a ply-by-ply basis similar to the bore cores, and subjected to composite seam washability and clean coal analysis. The sampling was undertaken in an easterly direction commencing with sample T2 near the end of the tunnel. The remaining four channel samples (named SS1 to SS4) were extracted 10 m to 20 m apart in an easterly direction from sample T2, across the face of the bulk sample area.
- A bulk sample was extracted from the Harbour Seam at the base of the tunnel. Several thousand tonnes of coal were extracted and washed through the Victoria Junction wash plant in July 1985. Various feed, product and reject streams were subjected to a range of raw, washability and clean coal analysis. A pilot scale subsample (74-tonnes) from the bulk site was also subjected to detailed testing by CAN-Met at its Devon facility.
- A 400-kg channel sample was extracted from the Harbour Seam Museum Site at Glace Bay. This sample was analyzed in Australia in August 2006 as a basis for quality comparisons with the existing data. The channel sample was subjected to intensive breakage and liberation pre-treatment with subsequent, raw coal, sizing, washability and clean coal analysis.

- An additional strip sample (DCH01) was extracted near the T2 channel sample in October 2007. This sample was analyzed by ACIRL Ltd. in Maitland, Australia to confirm likely coal quality at the base of the tunnel.

Coal quality data for the Donkin Project for the Hub Seam was based on the series of bore hole cores drilled in the late 1970s. No mineral processing or metallurgical testing has taken place. Once the Harbour Seam exploration program advances far enough downdip, it may be possible to drill core holes upwards into the Hub Seam and collect sufficient samples for washability testing.

Raw Coal Quality – Harbour Seam

The Harbour Seam increases in depth in a northerly direction from 250 m at the bulk sample site to 670 m at hole H8A approximately 5 km to the north. The seam generally appears to thicken in an easterly direction from 2 m at P2 to 3.6 m at P3, 5 km to the east.

- The bore cores to the west had full seam raw ash in the range 15% to 20%. The ash decreased to < 10% from a line east of the tunnel sites.
- Hole P2 in the southwest recorded TS percent in excess of 8% as did H8D, 2 km to 3 km north of the tunnel site, whereas the regions east had levels below 4%.
- Calorific value dry, ash free (CVdaf) was approximately 15,000 Btu/lb throughout.
- Volatile matter dry, ash free (VMdaf) appeared to increase from 34% to 37% in the west to 38% to 39% in the east. Raw crucible swell number ("CSN") appeared to increase from 5.5 to 6 in the west to 7.5 in the east.
- Ultimate carbon, hydrogen and nitrogen were typically 82%, 5.5% and 1.4%, respectively (dry, ash free basis).
- Initial ash deformation temperatures were very low (often <1,100°C) due to the presence of iron in pyrite. T2 reported 37% iron oxides in ash, but other results in excess of 50% have been observed where the ash (silicon and aluminum source) is very low.
- Chlorine in coal was high (0.10% to 0.20%).
- Phosphorus in coal was generally low (<0.03%).
- Vitrinite was generally high (often exceeding 80%). Reflectance is not fully understood across the Donkin Lease but appeared to range from 0.90 to 1.10, indicating the coal may be suitable to produce semi-soft to semi-hard coking coal.
- Gieseler fluidity on raw coal generally exceeded 10,000Mddm.
- Hardgrove Grindability Index (HGI) was 60 to 65.

Raw coal results from the six channel samples (including the September 2007 channel) in the tunnel region suggest the coal quality characteristics of the Harbour Seam may be variable over short distances. TS varied from 4.45% (DCH01) to 4.02% (T2) to 3.29% to 3.45% moving easterly to the other strip samples over an estimated length of approximately 50 m. Raw ash varied from approximately 9% at T2/DCH01 to 5.8% at SS2 increasing to 7.7% at SS4. The average result of all six strip samples has been assumed to represent raw quality at the base of the tunnel. The average ash was 7.8%, and the average TS was 3.97%.

On a ply-by-ply basis, all of the channel samples had a thin, high ash band (0.03-m to 0.05-m thick, ash 47% to 60%) approximately 0.2 m to 0.5 m from the top of the sampled section. Ash in the section above the band varied from 10% to 15%. The basal ply in all cases exceeded 10% in TS. Sulphur in the top plys was more variable sample to sample but often well in excess of 5%. The high sulphur results are generally due to the presence of pyrite with a background organic level within the plys generally of 1% to 2%. The high sulphur ply in SS1, 0.15 m from the top of the seam, had 12% pyritic sulphur. Most plys had little or no sulfate sulphur. All samples had a central

section in excess of 2-m thick with ash <4%. TS in this section generally varied from 1% to 3% within the plys and averaged slightly in excess of 2% for all channel samples.

Washability

At low density, such as 1.40, the coal has high mass (often >90%) and low intrinsic ash. There is a tendency for the lowest density fractions to contain lower incremental TS; however, the sulphur rises rapidly above F1.40 (cumulative at T2 1.99%, cumulative at DCH01 2.70%). The sulphur results for T2 and DCH01 indicate that the pyritic sulphur is very finely disseminated and will not likely liberate well during washing except at extremely low density (<1.40).

On a full seam basis, sulphur washed to 2.8% to 3.2%. Sulphur ranged from 2.7% to 2.9% in the optimum central section. Both the roof and floor coal plys for DCH01 realized high sulphur at low (1.40) and high (1.60) cut point densities (4.4% to 5.2% and 4.7% to 5.0%, respectively). Yield ranged from 87% to 92% in the central section and 78% to 84% in the full seam. Product ash ranged from 2.7% to 3.3% (central section) and 3.1% to 3.8% (full seam).

Reject Handling

The likelihood of acid drainage from reject coals is a strong possibility with all plant designs for Donkin coal if traditional stockpiling of coarse materials and dam storage of flotation tails are followed. An alternative reject handling system that requires investigation may be to filter the flotation tailings and dispose of the solids with coarse rejects (dry co-disposal). Treatment of the dry rejects with limestone or possibly power station fly ash as the reject exits the plant may reduce the likelihood of acid drainage being a problem for future mine rehabilitation.

Product Specifications

Apart from a reduction in ash and sulphur, most of the properties of raw or washed coal will be very similar for Harbour seam coal. "Hard" washing of the coal at low density to realize an ultralow ash coking coal product will reduce sulphur slightly and ash more significantly whereas washing at high density will primarily only remove freely liberated pyritic sulphur and most stone (ash) components. A potential clean coal specification profile for the coal (utilizing raw and clean coal properties) is presented in Table 2, below.

Table 2 - Typical Product Specifications

	Raw Coal	Washed Coal
Total Moisture %	6.0	10.0
Air Dried Moisture %	1.0	1.0
Ash % (ad)	8.0	3.0
Volatile Matter % (ad)	37.0	39.0
Total Sulphur % (ad)	4.50	3.00
CV Btu/lb (gar)	12,800	13,000

Notes:

- The specifications are derived from the six strip samples at the base of the tunnel and may not reflect variation in quality across the lease.
- The raw coal specification assumes minimal out-of-seam dilution.
- Total sulphur ("TS") specifications are based on the higher results from DCH01 rather than an average of the strip samples.

Average raw coal quality for the Hub Seam based on the drill hole data is shown in Table 3, below. Partings and out-of-seam dilution are not included.

Table 3 - Summary of Raw Coal Quality, Hub Seam

	Thickness (m)	Ash % (ad)	VM % (ad)	Sulphur % (ad)	Gross calorific value Btu/lb (ad)	CSN	Insitu Density (g/cc @ 6% moisture)
Average	2.4	15.3	32.1	5.7	12,479	6.9	1.40

Detailed Specifications: Table 4, below, presents a range of additional product properties that may be applied to either raw or washed coal for the Harbour Seam. Similar Hub Seam data is not available. The following properties should be noted.

- CSN and Gieseler maximum fluidity of 7 and >10,000 Mddm, respectively
- High vitrinite content (typically 80%)
- Moderate rank (typically 1.00 Romax)
- Low initial ash deformation and flow temperatures (1,100°C and 1,300 °C), respectively, due to the high iron from pyrite
- Low to moderate phosphorus (market dependent) in coal (typically 0.03%)
- High (market dependent) chlorine in coal (typically 0.15%)

Table 4 - Additional Product Specifications

Ash Fusion (Celsius reducing)	Spec	Range
Initial Deformation Temperature	1100	1050 – 1150
Flow Temperature	1300	1200 – 1400
Ash Chemistry (oxides of ash, % dry)		
Silicon	20	15 – 40
Aluminum	20	15 – 25
Iron	50	35 – 55
CSN	7	7 to 8
Gieseler Fluidity M ddm	>10000	10000 – 25000
Chlorine in coal (% dry)	0.15	0.12 – 0.2
Phosphorus in coal (% dry)	0.03	0.01 – 0.04
Vitrinite % (by vol)	80	75 – 85
Reflectance	1.00	0.90 - 1.10
Hardgrove Grindability Index	65	60 – 70
Ultimates (% daf)		
Carbon	83.0	80 – 85
Hydrogen	5.4	5.2 – 5.5
Nitrogen	1.3	1.2 – 1.5
Oxygen	7.0	5 - 10

Coking Studies

The Harbour Seam coal has many excellent coking coal properties including:

- low ash;
- low phosphorus; and,
- high CSN and fluidity.

However, pilot scale studies on coke strength and reactivity conducted on several raw and clean coal composites derived from strip sample DCH01 (Table 5, below) suggest the coal has low to moderate coke strength after reaction (CSR typically 25).

ACIRL Ltd's carbonization facility offered the opinion that the coke test results are typical of a semi-soft coking coal with a reactive ash composition. The high reactivity ("CRI") and resultant low coke strength after reaction ("CSR") are a result of the low rank and ash characteristics. Both the raw and clean coke composites have extremely high iron in the ash, which contributes significantly to the high CRI.

Setting aside the high sulphur, the coal suits a semi-soft market. The impact of iron on coke strength may be minimized by appropriate blending with other materials.

Table 5 - Coke Strength Results: Mid-Section Clean Coal Composite, Strip Sample DCH01

Carbonization Report			
Sample:2_2R_1B Clean Coal Composite			
Coke Reactivity Index (CRI)	58.4	59.5	59.0
Coke Strength after Reaction (CSR)	24.5	26.2	25.4

Similar testing is not available for the Hub Seam.

Mineral Resource Estimates

A geological model of the Donkin Coal Resource Block was developed using ECS-Surpac MINEX software on the basis of offshore drill hole seam intersections and data from the Harbour Seam workings in No 20 and No 26 collieries. The coal seam depth and thickness records that formed the basis of the Minex geological model were derived from a combination of the geological descriptions, density logs, geodip logs and coal analysis information.

Framework Developed from GSC Paper 88-21

Geological Survey of Canada Paper 88-21, "A Standardized Coal Resource/Reserve Reporting System for Canada", is referenced by NI 43-101 for the preparation of Mineral Resource/Mineral Reserve estimates on coal deposits. GSC Paper 88-21 outlines definitions, concepts and parameters used to determine coal resource and reserve quantities, and provide a framework to facilitate consistent categorization of coal quantities found within various depositional and tectonic regimes.

- Geology Type: Low-Type A structural Complexity
- Deposit Type: Underground
- Exploitation Feasibility: Immediate and Future Interest
- Assurance of Existence: Measured, Indicated, Inferred

Geology Type: Paper 88-21 specifically recognizes the lateral continuity and consistency of coal seams in the Sydney Coalfield as typifying the least complex coal deposits in Canada, based on the extensive mining history in the area (Low-Type A Structural Complexity). In the Sydney Coalfield, data from borehole intersections spaced several kilometers apart can be correlated with confidence. At Donkin, the network of exploration drill holes, generally between 1.5 km and 2.5 km apart, is strongly augmented by the regular grid of seismic survey lines, the Harbour Seam exposure in the pit bottom area at the base of the two Donkin access tunnels and the Harbour Seam workings throughout No.20 Colliery, a short distance to the west of the Donkin Resource Block.

Deposit Type: All coal resources/reserves reported within the Donkin License fall within the "underground" category. Coal resources that are deeper than 700 m rock cover are present at Donkin and would be classified as "non-conventional" at this stage and have not been included in this resource statement. "Sterilized" resources are those that are unavailable for mining due to legislative, environmental or other restrictions. At Donkin, coal within 75 m of an offshore borehole that intersects the coal seam in question, is unable to be mined. In addition, seams under less than 200 m of solid rock cover are not currently considered for longwall mining. An estimate of in situ resources of coal in the three seams where the rock cover is between 100 m and 200 m thick is included in the inferred category. Room-and-pillar mining would be possible in parts of these areas, as it has in other submarine mines in the Sydney Coalfield. No coal resources were estimated for coal under less than 100 m cover.

Exploitation Feasibility: At Donkin, resources of immediate interest are considered to be those within the envelope defined by the offshore drill holes. All resources outside this envelope were considered as resources of future interest.

Assurance of Existence

Measured - There are no Measured Resources within Donkin Resource Block.

Indicated - Indicated resources are those resources within the envelope of offshore drill holes where the combination of drill spacing, coal quality data and seismic survey data provides sufficient confidence in the reliability of the data point and the seam continuity between data points to warrant a classification of Indicated.

Inferred - All coal resources outside the envelope defined by the offshore drill holes, are considered to be of Inferred status. Within the drill hole envelope, the eastern portion of the area is classified as Inferred because the coal quality and seam thicknesses reported in the easternmost drill hole (H8B) is of lesser confidence than in other holes.

Resources Categories based on CIM Definition Standards

After developing resource block boundaries using Paper 88-21 guidelines as a framework, these resource block categories were converted to equivalent CIM Definition categories. The limits and considerations applied to the resource estimate include:

- A density of 1.3 g/cc was applied to coal volumes to estimate tonnages of in situ coal for all seams.
- A minimum of 100 m of rock between the seabed and the seam. Coal occurring between 100 m and 200 m cover may be suitable for room and pillar extraction.
- A maximum depth below the sea floor of 700 m for the Harbour Seam.
- An exclusion zone of 75 m radius was applied to the drill hole centered on the projected position of the drill hole in the seam.
- An exclusion zone of 150 m was applied to the Donkin fault, due to the uncertainties in its position and character as well as the extent of disturbance to the coal seams.
- Resources were not estimated within 100 m of the existing Harbour Seam working in No.20 mine to the west of the Donkin license.

Summary of Coal Resources

The Donkin coal resource was subdivided into a number of blocks and coal resources in each block were classified according to CIM Definition Standards. The blocks may have different aerial extent for each seam and are divided internally on the basis of depth of cover and resource classification status (Indicated and Inferred). The following table provides a summary of the coal resources for each coal seam within the Donkin license area. The resource is shown in Table 6, below, and is expressed in millions of tonnes ("Mt").

Table 6: Summary – Donkin Coal Resource Estimates

Seam	Typical Seam Thickness Range (m)	Resource within drill hole limits (Mt)		Resource outside drill hole limits (Mt)	
		Indicated	Inferred		
Hub	3.2 – 4.0	73	38	19	
			57		
Harbour	1.8 – 3.6	101	15	100	
			115		
Total Resources Hub & Harbour Seams		174	53	119	
			172		

Mineral Reserve Estimates

As defined by the Canadian Institute of Mining, Metallurgy, and Petroleum:

"**Mineral Reserves** are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Mineral Reserves are inclusive of diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the treatment plant or equivalent facility. The term 'Mineral Reserve' need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals."

The Donkin Export Coking Coal Pre-Feasibility Study determined the most practical and an economical mining method for the Donkin underground resource as room-and-pillar mining with partial pillar extraction utilizing continuous miners for mining equipment. Longwall equipment is an alternate method.

Effectively, reserves were limited to the internal area defined by the drill holes with the exception of drill hole H8B, which was considered only to support an Inferred Resource determination. The drill hole boundary limits the maximum overburden thickness to less than 700 m (approximately 550 m), which historically in adjacent mines has been the depth of overburden where "sandstone outbursts" are more likely. Minimum overburden thickness is approximately 175 m at the Harbour Seam intersection with the tunnels. The minimum overburden thickness to accommodate full extraction mining is considered to be 200 m.

Minimum Harbour Seam thickness is 1.8 m. Minimum extraction thickness is 2.2 m. The Hub Seam minimum thickness is 1.5 m with an average thickness of 2.5 m. A 10% OSD (approximately 20% ROM ash) was considered in reserve calculations. The specific gravity ("SG") for all calculations was 1.45. A barrier of approximately 75 m was left on either side of the Donkin Fault. Mains or submains can be extended across the fault. For the mine plan, a 100m barrier surrounds each drill hole.

To meet the quality requirements for a metallurgical coal market, the mining recoverable coal will require processing through a coal preparation plant. Ash and sulphur are the two coal quality constituents that need to be reduced. The end result is that the quantity of coal available for marketing is reduced. The coal processing yield was set at 81%.

The Probable Reserves are shown in Table 7 below. Probable mineable reserves are the tonnes recovered during the mining process. Probable saleable reserves are the tonnes remaining following coal preparation. The Probable mineable reserves are a subset of the Indicated in-situ resources. The reserves are within an area that has a reasonable likelihood for receiving the necessary environmental and mining permits.

Table 7: Probable Reserves

Seam	Indicated Insitu Resource (Mt)	Probable¹ Mineable Reserve (Mt)	Probable² Saleable Reserve (Mt)
Hub	73	28	23
Harbour	101	30	25
Total	174	58	48

¹ Extracted ROM tonnes

² Tonnes after coal preparation

The reserves are based on the assumption that the Harbour Seam coal and 50% of the Hub Seam coal are marketable as a metallurgical coal, and the other 50% of the Hub Seam Coal is marketable as a thermal product with the pricing structure projected by the marketing study prepared for the PFS.

There are no environmental nor environmental permitting issues to which the estimate of mineral resources and mineral reserves may be materially affected except for the regulatory approvals presently being sought to provide nominally 2.7 Mtpa product coal suitable for the international export coking coal markets.

Mining Operations

In early 2010 the project underwent a thorough review of all available options, and it was decided to conduct a pre-feasibility study of an option whereby multiple CMs would be utilized to produce ROM coal that would subsequently be washed to produce a coal product that is suitable for export sales into the international coking coal market.

The March 2011 PFS expanded on a previous study by modifying the mine plans to incorporate the Hub Seam, continued refinement of the transportation options, and completing independent and internal marketing studies and evaluations. Although the transportation options are still undergoing evaluation, the marine option is the preferred alternative. The marketing study indicates that there is demand for the quantity and quality of coal that will be produced at the mine in international export metallurgical and thermal coal markets as well as domestic thermal coal markets.

Only underground mining methods have been considered for extraction of the coal resource. There have been several submarine mines that have operated off the coast of Cape Breton Island adjacent to the Donkin License area, but none are currently active. Most of these mines have used the room-and-pillar or longwall mining methods or both.

The mine proposed in the PFS is projected to produce approximately 3.5 Mtpa of ROM coal and 2.75 Mtpa of clean processed coal. The geological model provided grid information on the seam thicknesses, roof and floor elevations, and coal quality parameters of air dried ash, air dried sulphur and relative density. These grids were used as inputs along with the mine design parameters to produce a ROM coal production sequence.

The Harbour and Hub seams are the target seams with the Harbour Seam targeted for the initial exploration seam due to the tunnels being in place for this initial development. The Harbour Seam mine layout is designed with main development headings running east and west of the access tunnels at a depth between 200m and 600m beneath the sea floor. Pillar extraction is planned for both seams extracting between 50% and 70% of the remaining pillars.

The mine layout can facilitate changing to an alternate mining method such as a longwall and insures that mining in the Hub Seam is completed prior to secondary mining in the Harbour Seam directly below the Hub Seam.

The Hub Seam will be accessed through a 550-m drift developed from the Harbour Seam to intersect the Hub Seam above at a depth of approximately 200 m. A second drift will need to be developed for a return airway with an additional ventilation shaft being required in Year-9 as mining extends further from the drifts. Coal transport from the Hub Seam will be via a surge bin between the two seams with a capacity of 3,500 tonnes feeding the main conveyor in the Harbour Seam.

The initial phase of mining is referred to as the exploration phase. The intent is to deploy one CM section in the Harbour Seam within one year of securing an off-take agreement for the ROM coal. The exploration phase will provide the opportunity to collect multiple Harbour Seam bulk samples for testing, geotechnical information on the roof, floor and coal, data on both the Donkin and unnamed fault, data on gas desorption, and Hub Seam data in all categories.

Initial mine development and production will only have the two existing tunnels available for access, ventilation and transport of coal out of the mine. A risk review has determined that utilization of the eastern existing tunnel as a return airway and conveyor drift during the initial mining phase would allow final use of that tunnel as the return airway following the construction of a third tunnel that is required prior to the commencement of the third CM section.

Gas management requirements have been determined from a review of operational experience in the Phalen and Harbour seams of adjacent mines, published gas reservoir characteristics, anecdotal evidence from previous mine management together with results of the 2008 - 2009 pit bottom drilling program.

Processing and Transportation

The coal handling and preparation plant ("CHPP") utilized in the PFS is of a design and construction that is similar to many such plants that are in current operation at existing Xstrata coal mines, and as such provides for a high degree of certainty and confidence in the capital cost and operating cost estimates that are included in the study.

The proposed CHPP system involves the following items.

- A raw coal stockpile, reclaim and sizing system to prepare a minus 50 mm raw coal feed to the CHPP.
- A 650 tonnes per hour (tph) processing plant featuring a single stage large diameter dense medium cyclone to process coal, spirals to process the mid-size material and flotation to beneficiate the fine coal.
- A product sampling and reclaim system to prepare product coal ready for loading on to a barge or rail.
- A dry disposal reject handling system.

The washability characteristics of the Donkin coal channel samples are considered to be excellent. There are relatively large proportions of material in the low density fractions (>70% mass at F1.30), little near gravity material and relatively low proportions of high density material (<3% mass at S2.00).

The selected process is focused on the production of a single product suitable for marketing as a coking coal but that is also marketable as a thermal coal. Review of historical and recent washability data showed the Harbour Seam coal has excellent coking coal properties including:

- Low ash;
- Low phosphorus; and
- High CSN fluidity.

Sulphur levels, however, are high and the selected process must attempt to maximize the removal of sulphur to improve the marketability of the coal. The washability and sizing data suggests sulphur reduction is possible by employing a lower (dense medium based) cut point with only a relatively low loss of yield. It was

conclude that the most appropriate selection and the one which represents least risk will be a plant with the following configuration:

- Single stage dense medium cyclone ("**DMC**") coarse coal circuit;
- Spirals mid-size coal circuit; and,
- Flotation fine coal circuit.

Only proven conventional technologies were considered for the CHPP. In recognition of the cold weather operating environment for the Donkin site, and the preference to keep as much as possible of the CHPP processing equipment indoors, Jameson Cells flotation technology was selected.

To reduce the potential of acid leach from a conventional tailings dam, a full dry disposal system for CHPP reject is proposed. The dry disposal system would dispose of the combined streams of dewatered tailings and coarse reject. This combined stream will be conveyed from the CHPP by a fixed stacking conveyor and discharged onto a conical stockpile. Dozers will be employed to push the stockpiled rejects to an adjacent void. Any possible environmental issues regarding potential acid leaching from the rejects stockpile will be investigated further at the next phase of the project.

The CHPP will process 3.50 Mtpa (as) ROM of Donkin coal and incorporate the following major components in the design.

- A raw coal stockpile reclaim system incorporating three coal feeders onto a reclaim conveyor located in a tunnel
- A two stage reduction crushing station
- A plant feed system comprising a plant feed conveyor with associated weigher and primary sampling facilities
- A CHPP consisting of a single DMC module for coarse coal processing, spirals for mid-size coal processing and flotation for the finer fraction
- Belt filters to dewater the tailings for combining with the coarse and fine reject prior to conveying to a rejects stockpile
- A product handling system comprising product conveyors, radial stacker and stockpile
- Product reclaim by dozer push to reclaim feeders and onto a reclaim conveyor located in a tunnel. Conveying of reclaimed product coal to a transfer station for transfer to a barge or rail loading facility.
- Fire protection system
- Raw coal dust suppression
- Distribution from the output side of the high voltage transformer on the main substation of the electrical site supply
- Fully integrated control system and communications
- Offices, workshop, laboratory, crib rooms and ablutions required directly for operation and control of the CHPP

There were two transportation cases evaluated within the PFS. The variation in cases only applies to the methodology by which the product coal is transported to the point at which coal is loaded into ocean-going vessels.

Case 1: Rail Option – product coal is reclaimed to a rail loadout bin that loads coal wagons for transportation of the coal by rail to Sydney Port. The rail option has been assessed on the basis of a rail link being constructed from Donkin Mine to the existing Sydney Coal Rail Line at Victoria Junction to transport coal to the former Sydney Steel Corporation (Sysco) dock at Sydney Harbour.

Case 2: Marine Option – product coal is reclaimed to an overland conveyor that traverses the onshore section from the product stockpile to accommodate the direct loading of 3,000-tonne coastal barges. A barge will then be moved to a near shore transshipment location where the barge grab crane will load the product coal to Capesize ocean-going vessels. This transshipment area is located southwest of the Cape Morien headland and is approximately 4.5 nautical miles from the direct loading area.

The transportation options are still being evaluated. Capital cost estimates have been developed for both options.

Production

Full production on a ROM bases is projected to be approximately 3.5 Mtpa. Exploration phase production with one CM section is expected to be 375,000 ROM tonnes for the first 2 years, all from the Harbour Seam. In Year-3, production is expected to be 642,000 ROM tonnes, of which 68,000 tonnes are from the Hub Seam. Three additional CM sections are added in Year-4, and production steadily increases until full production is achieved in Year-7. A commensurate increase in ventilation capacity will be required during this period in addition to the completion of the third tunnel prior to the third miner section starting production. It should be noted that the start of production is dependent on the receipt of all necessary permits and plans and the availability of contactors to complete the pre-production construction.

Table 8, Production Schedule, shows the ROM production for the first 11 years of mining along with total tonnes mined to Year-29.

The CHPP includes all of the material handling, coal processing equipment and stockpiles necessary to process the 3.5 Mtpa ROM extracted by the mine and produce approximately 2.75 Mtpa of clean saleable coal with quality parameters suitable for sale into international coking and thermal coal market and domestic thermal coal markets. The processing yield selected for the PFS study is 81%, which includes consideration for OSD. The PFS target product specification is shown in Table 9, below. Calorific value and CSN appear to be at the upper end of the range of expected quality parameters.

Table 9 - Assumed Product Target Specifications

Quality Parameter	Specification
Total Moisture %	8.0
Ash % (ad)	4.0
CSN	8.5
Total Sulfur % (ad)	3.0
Calorific Value (Btu/lb ar)	13,500

At the proposed rate of production, the mine exhausts the Harbour Seam reserves in Year-30 and the Hub Seam reserves in approximately Year-35. There are Inferred Resources to the east, north and west of the proposed mine that can be accessed from the proposed mine. Additional data on the suitability of these resources for mining will be collected during mining of the reserve area.

Table 8 - Production Schedule

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total 2040
Production - ROM tonnes (x 000)	375	373	642	1,419	2,646	3,129	3,259	3,350	3,641	3,303	3,700	78,715
Yield	100%	100%	100%	86%	81%	81%	81%	81%	81%	81%	81%	81%
Production - Clean tonnes (x 000)	375	373	642	1,216	2,145	2,534	2,640	2,714	2,949	2,675	2,997	63,759
Hub Seam												
CM1												
Primary				464	115	459	516	359	512	487	306	10,175
Secondary					514	256	229	492	294	344	593	9,591
Total CM1	0	0	0	464	629	717	745	851	806	831	899	19,766
CM2												
Primary				357	246	480	435	305	314	468	520	9,770
Secondary					398	247	330	548	567	376	317	9,592
Total CM2	0	0	0	357	644	727	765	853	881	844	837	19,362
Harbour Seam												
CM3												
Primary				301	541	436	460	680	345	510	284	11,293
Secondary					175	416	435	151	632		696	7,636
Total CM3	0	0	0	301	716	854	895	831	977	510	980	18,929
CM4												
Primary				297	486	394	465	686	378	742	394	11,679
Secondary					173	437	369	129	599	76	590	7,589
Total CM4	0	0	0	297	659	831	834	815	977	818	984	19,268
CM5 - Exploration												
Primary - Harbour	375	373	574									1,322
Primary - Hub			68									68
Total CM4 - Exploration	375	373	642	0	0	0	0	0	0	0	0	1,390
Total Harbour (ROM tonnes x 000)	375	373	574	598	1,375	1,685	1,749	1,646	1,954	1,628	1,984	39,519
Total Hub (ROM tonnes x 000)	0	0	68	821	1,273	1,444	1,510	1,704	1,687	1,675	1,736	39,196

Markets

The coal quality of Donkin's two target seams, the Harbour and Hub seams, are characterized by low ash, high energy, high vitrinite content, high fluidity, high swell and elevated levels of sulphur. Subject to further coal testing to be carried out during the exploration phase of the project, approximately 75% of product coal from Donkin is targeted to be marketed as a coking coal into international coking coal markets. The geographic location of Donkin make Europe and Brazil the most likely target markets. Coal quality testing and further market assessment are planned to be undertaken during the exploration phase to confirm the product quality and marketability.

During the exploration phase, coal will be marketed as a ROM thermal coal product. Discussions with NSPI, a local power utility, have taken place and NSPI has expressed its willingness to take up to 0.5 Mtpa subject to agreement on terms.

Based on data currently available, the following are the key features of the Donkin coking coal product.

- Low Ash - the expected level of 4% ad is well below the typical range for hard coking coal of 7%- 10.5% and would attract a pricing premium.
- Caking Properties - the expected CSN of 8.5 places it within the range for premium hard coking coals of 8-9.
- Plasticity - Donkin is a high fluidity coal with an expected maximum fluidity of greater than 10000 ddpm. This characteristic enables its use as a coke blend component with lower fluidity coals and enhances its marketability.
- Sulphur - the expected product sulphur content of 3% ad is above the typical range for hard coking coal which ranges to a maximum of 0.8% ad. While the sulphur content will attract a pricing penalty, which has been incorporated to the valuation model, it does not preclude the use of this coal in coking coal blends for the manufacturing of coke.

Environmental Considerations

The Donkin Mine has an existing environmental permit which allows for development works to prepare an unwashed thermal coal product at the mine both on the surface and underground, and the use of a CM system for a period of up to two years to remove an average of 2,000 tonnes of coal per day (approximately 0.5 Mtpa), load it onto trucks and transport the product offsite to a NSPI utility, only during the times of 0600 hours and 2000 hours, Monday to Saturday. There are no current requirements regarding bond posting, remediation and reclamation other than those typical of an operation which are covered under the site's Environmental Management System, presently being enhanced to address regulatory requirements including Environmental Management, Environmental Protection and Contingency Plan requirements.

The information in the following paragraph is an update of the environmental approval process since the receipt of the Donkin Coal Technical Report.

In June 2011, a draft Project Description document was filed with Federal and Provincial regulators. This was the initial step in the Environmental Assessment ("EA") process. The document seeks approval for the 2.75 Mtpa export coking and thermal coal underground mine and utilizing the marine transportation option. On November 14, 2011, the Canadian Environmental Assessment Agency ("CEA Agency") announced their decision that the Donkin Export Coking Coal Project is to undergo a comprehensive-study-type environmental assessment. The CEA Agency prepared and released draft Environmental Impact Statement ("EIS") Guidelines for the project which will guide the EIS preparation and identify minimum information requirements. The public was invited to submit comments to the CEA Agency by December 29, 2011. All comments were reviewed and considered before the final EIS Guidelines was finalized and issued to XCDM in early 2012. On July 14, 2012, XCDM filed the EIS with the CEA Agency triggering a 60-day public review period. Written comments from the public were received by the CEA Agency up to the cutoff date of September 14, 2012. On April 9, 2013, the CEA Agency released a Comprehensive Study Report ("CSR") for the Donkin Coal Project and initiated a 30-day public

review period with written comments due by May 9, 2013. The CEA Agency concluded in the CSR that "the (Donkin Coal) Project is not likely to cause significant adverse environmental effects when implementation of the proposed mitigation measures, the follow-up program and adherence to conditions and requirements related to the necessary federal permits, authorizations and approvals are taken into account." The Corporation anticipates announcements by the provincial and federal Ministers of the Environment of their respective environmental assessment decisions sometime in Q3 2013. It is anticipated that environmental approval will be received in the third quarter of 2013.

Tax, Royalty and Lease Costs

The following tax, royalty and lease rates were used as part of the economic analysis.

- Net Federal Tax Rate on Resource Income – 15% (effective from 2012)
- Nova Scotia Income Tax Rate – 16%
- Capital Tax Rate Nova Scotia – 0.05%
- Special Lease - \$1.00/year for the first four years of the lease (to April 2013) then \$136,192/year
- Royalty - CAD\$1.09/short ton, CAD\$1.22/tonne (XCDM Assumption)
- Carbon Tax – CAD\$2.00 Contingency

Capital and Operating Cost Estimates

The estimated capital cost for rail and marine transport cases that were evaluated in the PFS are outlined in Tables 19.3 and 19.4, respectively, of the Donkin Coal Technical Report. Both tables provide initial capital estimates. Sustaining and replacement capital is estimated at \$4.50/tonne. The author of the Donkin Coal Technical Report considered both estimates to be reasonable for the proposed projects as defined in the PFS.

The operating cost estimates for the rail and marine transportation options are outlined in Tables 19.5 and 19.6, respectively, of the Donkin Coal Technical Report. The first 10 years of the project are based on actual estimates while the remaining project life is based on an average figure.

Economic Analysis

A marketing study prepared by AME Consulting Pty Limited ("**AME**") indicates that the Donkin Project Harbour Seam high sulphur coal can be marketed as a semi-hard or standard hard coking coal discounted for its relatively high sulphur content to international markets in Europe, Brazil and to some extent in Asia and at volumes of near 1.2 Mtpa and as a thermal coal in similar markets at volumes of approximately 0.65 Mtpa. The forecast for long-term realization is projected at US\$159/tonne for standard hard coking coal, US\$151/tonne for semi-hard coking coal and US\$90/tonne for thermal coal.

Xstrata Coal, on behalf of XCDM also completed an analysis of the potential realization for the Donkin coal. Xstrata's long-term realization for the coking coal product is US\$156.7/tonne and for the thermal product is US\$122.2/tonne. The coking coal product is consistent with the AME study while the thermal product realization is significantly higher. The thermal product realization reflects a transportation advantage into local markets. The economic analysis is based on Xstrata Coal's pricing estimates.

The net cash position for the rail and marine options are presented in Tables 19.7 and 19.8, respectively, of the Donkin Coal Technical Report. Table 10, below, summarizes the economic analyses for the marine and rail options. Peak funding is the maximum negative cumulative undiscounted cash flow of the project.

Table 10 - Project Valuation

Financial Parameters	Marine Case (@LT)	Rail Cae (@LT)
NPV @ 8% (CAD\$ M)	1,060	952
Internal Rate of Return (%)	36.0	32.5
Payback Period (years)	7	7
Peak Funding (CAD\$ M)	331	374

Conclusions

The following conclusions are based on the PFS and the Donkin Coal Technical Report

- The Donkin Project Harbour Seam can be reasonably accessed through the two existing tunnels once the tunnels are rehabilitated. The Hub Seam can be accessed from two slopes proposed to be driven between the Harbour and Hub seams.
- The room-and-pillar mining method utilizing "place change" CMs is a reasonable and cost effective method of extracting the resource. The mine plan can be easily modified to take advantage of longwall mining if the mining conditions are suitable and the coal market will support the increased production.
- The first 20 years of mining in the room-and-pillar mine plan presented in this Technical Report are located within the Indicated resource boundary of the MBGS Technical Report. The mine plan shows the extension into Inferred resource areas once additional coal thickness, coal quality and geotechnical data are acquired. This additional data can and should be acquired during mining. The project economics are based on Indicated resource only.
- Methane management/ventilation will be critical to successfully mining both the Harbour and Hub seams.
- Other than at the base of the two tunnels, additional off-shore exploration data (other than indirect data) will probably not be obtained. The reasons include the high cost of drilling in an ocean environment and any drill hole that penetrates the coal seams sterilizes the resources adjacent to the drill hole and significantly impacts potential mine plans. Based on the mine plan, the mining extractable coal reserves within the Indicated resource are summarized in the following table.

Seam	Indicated Insitu Resource tonne (Mt)	Probable¹ Mineable Reserves tonne (Mt)	Probable² Saleable Reserves tonne (Mt)
Hub	73	28	23
Harbour	101	30	25
Total	174	58	48

Notes:

(1) Extracted run-of-mine tonnes

(2) Tonnes after coal preparation

- Approximately 75% of the coal is being targeted at the international metallurgical coal market and 25% at the local and export thermal coal markets. Metallurgical coal quality advantages include low ash, low phosphorus, and high crucible swell number (CSN) and fluidity. Quality limitations include high sulphur and iron in the ash (from pyrite and contributes to high reactivity). High calorific value and location relative to local markets are the primary thermal coal advantages while sulphur and iron in the ash are the primary disadvantages.
- Hub Seam metallurgical and thermal coal quality data is limited and not considered sufficient for coal quality representation to potential customers.

- Production based on the mine plan is estimated at 3.5 million tonnes per annum (Mtpa) run-of-mine (ROM) and 2.75 Mtpa clean saleable.
- The capital investment for the project ranges from approximately CAD\$550M to CAD\$497M and includes mine access, mine equipment, coal processing, ancillary facilities, transportation to a port facility, a 20 % contingency factor and CAD\$94.211 for a Feasibility Study. The reason for the range in capital is that both rail and marine transportation options are still being considered although the lower capital investment cost marine option is preferred.
- The regulatory and community environment are supportive of the Donkin Project.
- The economic analysis for the preferred marine option generates a net present value (NPV) of CAD\$1,060M at an 8% discount rate and an internal rate of return (IRR) of 36.0%.

Recommendations

The following recommendations are based on the PFS and the Donkin Coal Technical Report.

- XCDM should proceed with the preparation of the Donkin Project Feasibility Study including the exploration phase.
- Customers in the identified market regions should be contacted, provided detailed coal quality specifications for the Harbour Seam and the limited data for the Hub Seam coal, and queried as to reasonable sales volumes.
- Continuation of the work on the plans and licenses necessary to start construction and operate the mine.
- Implementation of the exploration plan to facilitate data acquisition and analysis.

DIVIDENDS

There are no restrictions that could prevent the Corporation from paying dividends. Any decision to pay dividends on its shares will be made by the Corporation's board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation has an unlimited number of authorized shares. As of April 22, 2013, it has 49,256,240 Common Shares issued and outstanding. All shares in the capital of the Corporation are of the same class and each carries the right to one vote. The Corporation also has 4,640,726 stock options outstanding under its incentive stock option plan all of which vested on the grant except for 1,134,250 options, which vested over one year beginning with 25% on the grant date of December 3, 2012 and an additional 25% every three months thereafter. As of April 22, 2013, 567,124 stock options are not vested. Each vested option is exercisable for one Common Share of the Corporation.

MARKET FOR SECURITIES

The Corporation's shares trade on the TSX Venture Exchange under the symbol "MOX". Prior to announcing the proposed Arrangement, the Corporations' shares traded as APM shares under the symbol "APD". The last trade of APM shares was on August 7, 2012 when the trading was halted at the request of APM as a result of the announcement of the proposed Arrangement. Trading of the Corporations' shares resumed on November 9, 2012 once final regulatory approval of the Arrangement was granted. The monthly price ranges and volume of the Common Shares for the financial year ended December 31, 2012, are as follows:

APM Shares (APD)	High	Low	Volume
January, 2012	0.10	0.08	12,200
February, 2012	0.09	0.08	4,800
March, 2012	0.10	0.06	12,100
April, 2012	0.10	0.07	6,900
May, 2012	0.07	0.03	18,100
June, 2012	0.09	0.05	6,400
July, 2012	0.08	0.06	1,500
August (1-7), 2012	0.06	0.05	2,200
APM Shares were consolidated on a 7.85:1 basis effective November, 2012 pursuant to the Arrangement			
Morien Shares (MOX)			
November (9-30), 2012	0.34	0.18	851,800
December, 2012	0.26	0.19	1,021,200

DIRECTORS AND OFFICERS

The management of the Corporation consists of five directors and two executive officers. All of the directors took office as of November 9, 2012, upon final regulatory approval of the Arrangement. The term of office of each director is until the next annual meeting of shareholders of the Corporation or until the position is otherwise vacated. The table below provides the names and related information concerning each director and executive officer of the Corporation.

Name, Province and Country of Residence	Principal Occupation⁽¹⁾	Position(s) with the Corporation	Director/Officer Since
John P. A. Budreski British Columbia, Canada	President and CEO of Morien Resources Corp.	President, Chief Executive Officer and Director	November 9, 2012
Peter C. Akerley Nova Scotia, Canada	President and CEO, Erdene Resource Development Corp.	Chair of the Board	November 9, 2012
John P. Byrne ⁽²⁾ Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd.	Director	November 9, 2012
Charles G. Pitcher ⁽²⁾ Bobcaygeon, Ontario	President and COO of Wilson Creek Coal, LLP, subsidiary of Corsa Coal Corp.	Director	July 9, 2012 (date of first appointment as APM director)
Philip L. Webster ⁽²⁾ Quebec, Canada	President, Imperial Windsor Group Inc. (an investment holding company)	Director	February 27, 2009 (date of first appointment as a director of APM)
Kenneth W. MacDonald Nova Scotia, Canada	CFO of Morien Resources Corp. and Vice- President and CFO of Erdene Resource Development Corporation	Chief Financial Officer	February 27, 2009 (date of first appointment as an officer of APM)

Notes:

(1) See biographical summaries below for descriptions of the occupations of the above noted individuals within the past five years and for prior periods.

(2) Member of the Audit Committee.

As of April 22, 2013, all directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 2,511,656 Common Shares of the Corporation, representing 5.10% of the Corporation's outstanding Common Shares.

John P.A. Budreski - Mr. Budreski was formerly a Vice Chairman of Cormark Securities Inc. and prior to that, President and CEO of Orion Securities Inc. which was sold to Macquarie Group in 2007. He has over 25 years of broad experience in the resource and resource financing industries. Mr. Budreski has a Bachelor of Engineering from Dalhousie/TUNS University in Halifax, Nova Scotia and an MBA from the University of Calgary, Alberta. Mr. Budreski is also a Director of Sandstorm Gold Ltd., Sandstorm Metals & Energy Ltd., and Alaris Royalty Corp.

Peter C. Akerley - Mr. Akerley has been the president and chief executive officer of Erdene Resource Development Corporation since March 2003. Mr. Akerley is a geologist who previously provided corporate development, exploration and managerial services for projects in Canada, Guyana, Mexico, the Philippines, the United States of America and Mongolia to junior and senior exploration and mining companies. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax. He is also a director of Temex Resources Corporation, a company listed on the TSX Venture Exchange.

John P. Byrne - Mr. Byrne has more than 30 years of investment banking and corporate finance experience. He is President of Petroleum Corporation of Canada Exploration Limited ("Petrex"), an oil and gas exploration and development company, and has held that position since 1976. Petrex helped establish and finance Enerplus Energy Services Limited for which Mr. Byrne served as Vice-Chairman (1986-2000). He was a director of FW Omnimedia (2000-2004). He also served in senior executive roles with Levesque Beaubien Geoffrion Inc. (now National Bank Financial), A.E. Ames & Company Ltd./Dominion Securities Ames Ltd. and The First Boston Corporation. Mr. Byrne graduated from McGill University with a BA and from the University of Toronto Law School with a LLB. He is also a Chartered Financial Analyst. Mr. Byrne is also a director of Erdene Resource Development Corporation.

Charles G. Pitcher - Mr. Pitcher has been the President and Chief Operating Officer of Wilson Creek Coal, LLP since March 2012 and has four decades of experience in civil and mining operations, engineering, management and project development. He served in the offices of President and Chief Executive Officer and Chief Operations Officer of Western Canadian Coal Corp., a mining company and producer of high quality metallurgical coal, during the period of 2002 to 2004 and continued as a director until 2010. In addition, he served as director of PBS Coals Limited from November 2007 until August 2008 and from June 2009 until November 2011 he was the President and CEO of United Silver Co. Mr. Pitcher is currently also the President of Mining House Inc., his consulting company, a director of Wildcat Exploration Ltd. and a director of Corsa Coal Corp. He has been a director of Morien since July 9, 2012. Mr. Pitcher holds a B.Sc. Mining Engineering degree (1979) from the Colorado School of Mines and a Mining Technologist diploma from the British Columbia Institute of Technology (1969) and is a member of the Professional Engineers of Ontario and the Canadian Institute of Mining & Metallurgy.

Philip L. Webster - Since 1998, Mr. Webster's principal occupation has been as President of Imperial Windsor Group Inc., a private investment holding company. He is presently also a director of Erdene Resource Development Corporation and was a former director of Western Financial Group Inc. He is or has been a director of numerous private companies, including, Imperial Windsor Group Inc., Kinmont Canada Inc., Autoparc Stanley and Detroit Marine Terminals. He is a Trustee of the R. Howard Webster Foundation, the Zellers Family Foundation and the Constance Lethbridge Foundation. He is a Trustee and former Chairman of Stanstead College and President of its Red and White Educational Foundation. He has an A.B. (Hon.) degree from Princeton University and a Master of Architecture from the Graduate School of Design at Harvard University.

Kenneth W. MacDonald - Mr. MacDonald has been a Vice-President, the Chief Financial Officer and a director of Erdene Resource Development Corporation since March 2003. Mr. MacDonald was appointed Vice-President Business Strategy of Erdene in 2007. On February 27, 2009, Mr. MacDonald was appointed President and CEO of APM upon the reverse takeover of Beta Minerals Inc. by Erdene. In November 2012, upon the amalgamation of APM and ERI, which held the Corporation's North American assets, Mr. MacDonald was appointed Chief Financial Officer of Morien Resources Corp. From September 1992 to present, Mr. MacDonald has been the President and owner of Fisher Transport Limited, a specialized transport company. Mr. MacDonald was Vice-President of Finance and CFO for Kaoclay Resources Inc. from 1996 until it was acquired by ERI in June 2006. From 1985 to September 1992, he was involved as Vice-President Finance with public and private corporations in the resource sector. Prior to 1985, Mr. MacDonald, a chartered accountant, was a senior manager

with one of Canada's major accounting firms. Mr. MacDonald devotes approximately 50% of his time to the business and affairs of the Corporation.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Corporation is, or within ten years prior to the date of this annual information form has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(i) is, or within ten years prior to the date of this annual information form has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than John P.A. Budreski, who was a director of EarthFirst Canada Inc., a company engaged in the development of wind power and related generated facilities, when it obtained creditor protection under the Companies' Creditor Arrangement Act (Canada) (the "CCAA") on November 4, 2008. The CCAA process has now been completed and EarthFirst Canada Inc. has been amalgamated with another company and no longer exists as a separate entity; or

(ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Until March 2, 2010, John P.A. Budreski, was a director of EarthFirst Canada Inc., a company engaged in the development of wind power and related generated facilities, when it obtained creditor protection under the Companies' Creditor Arrangement Act (Canada) (the "CCAA") on November 4, 2008. The CCAA process has now been completed and EarthFirst Canada Inc. has been amalgamated with another company and no longer exists as a separate entity.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer, or principal shareholder of the Corporation and no associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction in which the Corporation has participated within the three most recently completed financial years or during the current financial year, which has materially affected or will materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Corporation is Computershare Trust Company of Canada at its offices in Halifax, Nova Scotia and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into by the Corporation, other than a contract entered into in the ordinary course of business, that are material to the Corporation and that were entered into within the most recently completed financial year, or before the last financial year but is still in effect, are as follows:

- (a) Donkin Joint Venture Agreement dated October 15, 2008, among Xstrata Coal Donkin Limited, 6531954 Canada Inc. and Xstrata Coal Donkin Management Limited which governs the parties relationship with respect to the Donkin Coal Project;
- (b) Donkin Sales Agency Agreement dated October 16, 2012 among Xstrata Coal Donkin Limited, 6531954 Canada Inc., Xstrata Coal Donkin Management Limited and Xstrata Coal Marketing Limited whereby Morien appoints Xstrata Coal Marketing Limited as its exclusive and sole agent for the sale of its coal from the Donkin Coal Project;
- (c) Loan Agreement dated as of September 17, 2012 between APM and John Budreski relating to a secured loan to Morien in the amount of \$250,000; and
- (d) Services Agreement dated November 1, 2012 between Erdene Resource Development Corporation and Morien Resources Corp. whereby Erdene provides Morien with office space and management, technical, administrative and advisory services on the terms set out in the agreement.

INTERESTS OF EXPERTS

Auditor

The auditor of the Corporation is KPMG LLP, Chartered Accountants, Halifax, Nova Scotia. The Corporation's annual consolidated financial statements for the year ended December 31, 2012, filed under National Instrument 51-102, contain the auditor's report prepared by KPMG LLP. KPMG LLP has confirmed to the Corporation that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

Other Experts

The Donkin Coal Technical Report was prepared by Lynn R. Partington, P.E. (Kentucky, USA), P.Eng. (Alberta, Canada). Mr. Partington was a "qualified person" as that term is defined in NI 43-101. He is also independent of the Corporation. Mr. Partington did not have any interest, direct or indirect, in any securities or other properties of the Corporation or its associates or affiliates at the time he prepared the Donkin Coal Technical Report. In addition, no such securities or properties were received or are to be received from the Corporation by Mr. Partington.

AUDIT COMMITTEE

Composition of Audit Committee & Relevant Education and Experience

The members of the Audit Committee are John Byrne (Chair), Charles Pitcher and Philip Webster. Each of the foregoing is independent and financially literate within the meaning of Multilateral Instrument 52-110. The education and experience of each Audit Committee member are described in this AIF under the section entitled "Directors and Officers".

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Corporation's external auditor not been adopted by the Board of Directors.

Pre-Approval Policies and Procedures

In February 2009, the Audit Committee adopted the following schedule of pre-approved fees to KPMG LLP for non-audit services:

Fee Amount	Authorization Required
Up to \$7,000	Chief Financial Officer
\$7,001 – 10,000	Chairman of the Audit Committee
\$10,000+	Audit Committee

External Auditor Service Fees

The fees charged to the Corporation by its external auditor in each of the last two financial years are as follows:

	Financial Year 2011	Financial Year 2012
Audit Fees	\$33,500 ⁽¹⁾	\$80,840 ⁽²⁾
Tax Compliance and Advisory Fees	\$10,000	\$13,350
All Other Fees	\$3,475	Nil

Notes:

(1) Includes additional audit fees associated with the transition to IFRS.

(2) Includes audit fees associated with the November 9, 2012 Plan of Arrangement.

Audit Committee Charter

I. Purpose

The Audit Committee ("**Committee**") is a standing committee of the Board of Directors ("**Board**") charged with assisting the Board in fulfilling its responsibility to the shareholders and investment community. Its role is to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Review and appraise the audit efforts of the Company's external auditors.
- Provide an open avenue of communication among the external auditors, financial and senior management and the Board.

II. Authority

The Board authorizes the Committee, within the scope of its responsibilities, to:

- Seek any information it requires from any employee (and all employees are directed to co-operate with any request made by the Committee).
- Engage independent counsel and other advisors as it determines necessary to carry out its duties.
- Set and pay the compensation for any advisors employed by the Committee.
- Communicate directly with the internal and external auditors.

III. Composition

The Committee will be comprised of at least three directors. Each Committee member will be independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members shall be financially literate in finance and accounting practices or become financially literate within a reasonable period of time after his or her appointment.

The Committee members shall be elected annually.

IV. Responsibilities

Responsibilities of the Committee include:

- Review and assess the adequacy of this Mandate annually.
- Make recommendations to the Board regarding the selection and compensation of the external auditor to be engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Company. The external auditor shall be accountable to the Board and the Committee.
- Meet with the external auditor and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be used and oversee the work of the external auditor engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Company, including the resolution of any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided to the Company or any of its subsidiaries by the Company's external auditor.
- Obtain a written statement from the external auditors annually disclosing all relationships that the auditors have with the Company. Discuss with the external auditors any relationships or services disclosed that may impact their objectivity and independence. Recommend that the Board take action, where appropriate, to satisfy itself of the external auditors' independence.
- Review the performance of the external auditors.
- Review with management and the external auditors:
 - o The Company's audited financial statements and footnotes, MD&A and any annual or interim earnings press releases before the Company publicly discloses this information.

- Any significant changes required in the external auditors' audit plan and any serious difficulties or disputes with management encountered during the course of the audit.
 - Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- Make a recommendation to the Board concerning the inclusion of the audited financial statements in the Company's Annual Report.
- Review with the external auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.
- Review with the external auditors and management the quality of the Company's accounting principles as applied in its financial reporting process and any proposed changes in accounting principles.
- Inquire of management and the external auditors about significant risks or exposures and assess the steps taken by management to minimize such risks to the Company.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

V. Meetings

The Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than once a quarter. Special meetings may be held at any time deemed appropriate by any member of the Committee.

These meetings may be with representatives of the external auditors and appropriate officers or members of management, either individually or collectively as may be required by the Chairman of the Committee.

The external auditors will have access to the Committee at their own initiative.

The Chairman of the Committee will report periodically its findings and recommendations to the Board.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. In particular, the Corporation's most recent Management Information Circular located on SEDAR contains additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans. Additional financial information is provided in the Corporation's audited consolidated annual financial statements and management's discussion and analysis ("MD&A") for the financial year ended December 31, 2012, both of which are also available on SEDAR.