



## **Management’s Discussion and Analysis Quarter ended September 30, 2013**

This Management Discussion and Analysis (“MD&A”), dated November 22, 2013, relates to the operating results and financial condition of Morien Resources Corp. (formerly Advanced Primary Minerals Corporation) (“Morien” or the “Corporation”) and should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2012, unaudited condensed interim consolidated financial statements for the period ended September 30, 2013 and the notes thereto.

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

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical fact, that address future production, resource and reserve potential, exploitation activities and events or developments the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, joint venture negotiations, evaluation and development results, continued availability of capital and financing and general economic, market or business conditions.

## **Nature of Business and Overall Performance**

### **General**

On November 9, 2012, Advanced Primary Minerals Corporation (“APM”) amalgamated with Erdene Resources Inc. (“ERI”) to form Morien Resources Corp. The principal business of the corporation is now the development of the Donkin coal project in Nova Scotia, Canada. Prior to a June 2012 sale of its operating assets in Georgia, USA, the principal business of APM was the development of primary kaolin resources in Georgia. The Corporation has a wholly owned subsidiary, Advanced Primary Minerals USA Corp. (“APMUSA”), a Delaware company which held the Corporation’s kaolin assets and continues to hold real estate interests which are held for sale.

## **Project Summaries**

### **Donkin Coal Project – Nova Scotia, Canada**

Morien has a 25% interest in the Donkin coal project (“Donkin Project”) in Cape Breton Island, Nova Scotia, along with joint venture partner Glencore-Xstrata (“Glencore”) which has a 75% interest in the project. On April 26, 2012, it was announced Glencore was seeking an operating coal company to assume its 75% interest in the Donkin coal project. Glencore cited a change in its business strategy since first acquiring the project, to one which now focuses on larger volume mining complexes, as the reason for the choosing to sell its interest in the project.

On March 19, 2013, Glencore announced that an acceptable buyer had yet to be found and acquisition options would be discussed with Morien. Management has entered into discussions with multiple parties to assess various options to participate in the Glencore sale process including acting on its 60-day right of first refusal.

On July 22, 2013, the Donkin Joint Venture received a positive environmental assessment decision for the Donkin Coal Project ("Project") from Nova Scotia's provincial Minister of Environment. With federal approval announced by the Company on July 17, 2013, the Project now has all of the necessary environmental approvals to advance toward production.

On November 20, 2013, the Corporation announced it had finalized the terms of a Letter of Intent ("LOI") for a coal off-take agreement providing for the sale of production from the Donkin Coal Project. Concurrently, Morien has signed a Memorandum of Understanding ("MOU") with an operating partner providing for the establishment of a Joint-Venture Agreement to develop and operate the Donkin Project. These milestones were precursors to submitting an offer to Glencore-Xstrata ("Glencore") on November 4th, 2013 for the purchase of its 75% interest in the Donkin Project, and Morien has subsequently entered negotiations with Glencore. The LOI and MOU are conditional upon the purchase of the 75% interest in the Donkin Project currently owned by Glencore, and are subject to the conversion of each into definitive contracts. Glencore indicated that during negotiations it will be minimizing expenditures at the Project. Glencore indicated this involves removing dewatering equipment and securing the tunnel entries for a new operator. Morien views these actions by Glencore as an indication of its willingness to transition the Project to new owners and Morien is confident Glencore would do nothing to damage the Project given the advanced level of negotiations between the parties. Although there is no guarantee the current negotiations will end in a transaction, Morien management believes Glencore shares its desire to see the Project developed for the benefit of all stakeholders.

Glencore, under the joint venture agreement, is committed to fund the first \$10 million of Morien’s development funding requirement. Glencore agreed to bring forward up to \$1 million of this amount to cover Morien’s share of expenditures on the project during the sales process. To the date of this MD&A, Glencore has funded \$1 million of its commitment reducing Glencore’s commitment to the Corporation to \$9 million.

In June 2011, the Donkin Joint Venture (“DJV”) released a National Instrument 43-101 compliant Technical Report for the Donkin coal project prepared by Marston & Marston Inc. of St. Louis, Missouri (the “Report”). The Report presents the results of the Pre-Feasibility Study ("PFS") on the Donkin Export Coking Coal Project prepared by Glencore and the reserves defined by the PFS. The PFS estimated the Donkin mine will produce 2.75 million washed product tonnes of coal per year and will directly employ about 300 people. The PFS targets the commencement of

coal production in 2014, although the outcome of the Glencore sales process could have an impact on these timelines. The Report supports advancing the project to the next phase. The PFS concluded that Donkin had a \$1.06 billion Net Present Value ("NPV") (8% discount rate) based on project development capital of approximately \$500 million and demonstrates the potential for first quartile operating costs.

### **Aggregate Interests – Nova Scotia**

In June 2013, the Corporation signed a revised option agreement ("Agreement") with the Municipality of the District of Guysborough. This Agreement provides the terms and parameters for the development of a large scale, bulk tonnage aggregates operation on deep water Nova Scotia for export via ocean going vessels, principally to the U.S. Eastern Seaboard market. The revisions to the Agreement included amendments to certain financial terms and modifications to the responsibilities, process and timeline for the proposed development.

### **Real Estate Interests – Georgia, USA**

The Corporation closed the sale of 208 acres of real estate in Georgia, USA during the third quarter of 2013 for total cash proceeds of USD\$295,000.

On October 29, 2013, the Corporation announced it had signed an agreement to sell its remaining 83 acres of real estate in Georgia USA, classified as held for sale, for total cash proceeds of USD\$100,000. Closing is expected by the end of November 2013.

In 2013, the Corporation recognized an impairment loss of \$123,219, shown under discontinued operations, related to the sale of real estate.

### **Selected Annual Information**

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

*Expressed in thousands of Canadian dollars except per share amounts.*

<b>Fiscal Year Ended December 31</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenues	\$ Nil	\$ Nil	\$ Nil
Loss for the year	\$ 1,263	\$ 3,328	\$ 1,353
Basic and diluted loss per share	\$ 0.12	\$ 1.05	\$ 0.54
Total assets	\$ 20,836	\$ 1,843	\$ 7,358
Total long-term liabilities	Nil	\$ 411	\$ 2,713
Cash dividends declared	Nil	Nil	Nil

*All financial data has been prepared in accordance with IFRS.*

## **Discussion of Operations**

In June 2012, the Corporation disposed of its operating assets in Georgia, USA. As a result, the cash flows and results of operations of these assets have been presented as discontinued operations.

### **Three months ended September 30, 2013 and 2012**

Corporate and administration costs for the three months ended June 30, 2013 amounted to \$219,787 compared to \$74,849 in the prior year. The increase is due the hiring of a CEO and management services and administration subsequent to the close of the transaction in November 2012.

Exploration expenses of \$23,218 in the third quarter are mainly salary and related costs for geological and technical personnel.

Net loss from continuing operations amounted to \$251,935 in the third quarter of 2013 compared to \$83,426 in the third quarter of 2012.

The Corporation incurred a loss from discontinued operations of \$130,287 for the nine months ended September 30, 2013 (2012 - \$12,665). \$123,219 of the loss in 2013 was an impairment charge on real estate classified as held for sale.

The Corporation recognized a net loss of \$382,222 in the third quarter of 2013 compared to \$96,091 in 2012.

### **Nine months ended September 30, 2013 and 2012**

Corporate and administration costs for the nine months ended September 30, 2013 amounted to \$857,239 compared to \$240,585 in the prior year. Approximately \$360,000 of the increase is due the hiring of a CEO and management services and administration subsequent to the close of the transaction outlined above. Another \$108,384 of the increase is due to non-cash share based payments made to certain officers, directors and employees of the Corporation. The remainder of the increase is due to a higher level of corporate activity within Morien in 2013, compared to 2012.

Exploration expenses of \$106,373 in the nine months ended September 30, 2013 are mainly associated with assaying costs for a bulk sampling program at the Donkin Coal Project in the first quarter, legal and land access costs related to the Corporation's East Coast aggregate project and geological and technical personnel costs.

The Corporation recognized a net loss from continuing operations of \$972,776 for the nine months ended September 30, 2013 compared to a loss of \$243,311 for the same period in 2012.

Loss from discontinued operations was \$127,708 for the nine months ended September 30, 2013 compared to \$132,611 in the prior year. The following table provides details for the discontinued operations.

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Results of discontinued operations</b>				
Revenue	\$ 3,040	\$ 3,593	\$ 6,734	\$ 256,816
Cost of sales	348	14,162	1,565	348,694
	<b>2,692</b>	(10,569)	<b>5,169</b>	(91,878)
Corporate and administration	2,023	1,838	3,243	25,797
Exploration and operating expenses	6,415	-	6,415	147
Impairment of property, plant and equipment	123,219	-	123,219	-
Foreign exchange loss	-	258	-	(592)
Loss from operating activities	(128,965)	(12,665)	(127,708)	(117,230)
Finance expense	-	-	-	(15,381)
<b>Loss from discontinued operations</b>	<b>\$ (128,965)</b>	<b>\$ (12,665)</b>	<b>\$ (127,708)</b>	<b>\$ (132,611)</b>

The Corporation recognized a net loss for the nine months ended September 30, 2013 of \$1,100,484 compared to \$375,922 for the same period in 2012.

## Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2013			Fiscal 2012			Fiscal 2011	
	Q3 Sep-13	Q2 Sep-13	Q1 Mar-13	Q4 Dec-12	Q3 Sep-12	Q2 Jun-12	Q1 Mar-12	Q4 Dec-11
Revenue	Nil							
Loss	\$ 382	\$ 341	\$ 377	\$ 855	\$ 96	\$ 101	\$ 179	\$ 2,710
Basic and diluted								
loss per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.85
Total assets	\$ 19,488	\$ 20,061	\$ 20,413	\$ 20,836	\$ 1,262	\$ 1,409	\$ 1,794	\$ 1,843

All financial data has been prepared in accordance with IFRS.

The Corporation's expenditures vary from quarter to quarter depending on the timing of its project programs and prior to the sale of operating assets in June 2012, sales and production schedules. The Corporation is not aware of any other specific trends which account for fluctuations in financial results from period to period.

## Liquidity and Capital Resources

At September 30, 2013, the Corporation had working capital of \$404,255 compared to \$1,668,539 at December 31, 2012.

At the date of this MD&A, the Corporation has working capital of approximately \$240,000 which is expected to meet the Corporations obligations until the first quarter of 2014, depending largely on the progress of negotiations for the purchase of Glencore's 75% interest in the Donkin Project.

The level of project related expenditures of the Corporation is dependent on the ability of the Corporation to secure future equity financings, enter in joint venture agreements, sell assets or a combination of the three. It is therefore difficult to identify any meaningful trends or develop an analysis from the Corporation's cash flows at this time.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

## **Outlook**

The Corporation continues to work with a selection of prospective operating, marketing, coal purchasing and financing partners regarding the sale of Glencore's interest in the Donkin Coal Project. Management is pursuing a path for the purchase of Glencore's 75% interest in Donkin.

## **Contractual Obligations**

As partner in the DJV, the Corporation is committed to fund 25% of the exploration and evaluation expenses and, subject to the repayment by Glencore of \$9 million of development funding obligations of the Corporation referred to in the Project Summaries section, 25% of development and operating expenses associated with the project.

The Corporation has signed a management services agreement with Erdene for management personnel, office space and sundry costs. In 2013, the amount Morien has estimated to pay Erdene for these services is \$535,000.

## **Off-Balance Sheet Arrangements**

As at September 30, 2013, the Corporation had no material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Corporation.

## **Transactions with Related Parties**

On November 20, 2012, the Corporation signed a promissory note in favour of the Corporation's CEO, John P. A. Budreski, for \$250,000 to be repaid at any time but not later than November 20, 2015. The note entitles Mr. Budreski to an interest payment based on Scotiabank's prime lending rate plus 2.0%, accrued monthly and payable annually on the anniversary date. The note is secured by certain assets in McDuffie County, Georgia, USA.

On September 5, 2013, the Corporation repaid \$100,000 of the loan, plus accrued interest on the \$100,000, leaving a balance of \$150,000, plus accrued interest.

## **Critical Accounting Estimates**

The preparation of the financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions and are continually evaluated. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

### **Estimate of recoverability for non-financial assets**

Events or changes in circumstances may give rise to significant impairment charges or reversals of impairment in a particular year.

In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. Impairment testing is also performed annually for any goodwill.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), resources, operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

### **Share-based payments**

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

### **Fair value of financial instruments, including embedded derivatives**

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### **Provisions for site restoration**

The Corporation records provisions which include various estimates, including the Corporation's best estimate of the future costs associated with settlement of the obligation, and discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

### **Taxation**

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and any deferred tax liabilities are recognized on the balance sheet. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of any deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of any recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

## **Future changes in accounting policies**

### **New standards, amendments and interpretations effective for the first time from January 1, 2013**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2013. The following new standards, amendments and interpretations that have been adopted in these condensed interim consolidated financial statements have had an effect on the Corporation's future results, financial position, and/or presentation and disclosure of such items:

- **IFRS 11 - Joint Arrangements**

Effective January 1, 2013, the Corporation implemented IFRS 11, “Joint Arrangements”. The new standard required the Corporation to evaluate its interest in its joint arrangement, the Donkin Joint Venture. This evaluation took into consideration the fact that the joint venture agreement provides the partners with an interest in the net assets of the joint venture equal to each parties proportionate ownership interest and provides for 100% unanimous votes for certain decisions of significance to the development and operation of the project. Based on this evaluation, the Corporation has determined the Donkin Joint Venture is a joint venture under IFRS 11 and will now be accounted for using the equity method instead of proportionate consolidation. Prior periods have been restated for this change in accounting policy in accordance with the requirements of the new standard.

There was no impact of the application of IFRS 11, “Joint Arrangements” on the consolidated statement of financial position as at January 1, 2012 as the Investment was acquired on November 9, 2012.

There was no impact of IFRS 11, “Joint Arrangements” on the consolidated statements of comprehensive loss or the consolidated statements of cash flow as the Donkin project is in the evaluation/development stage and all costs to date have been capitalized as exploration and evaluation assets of the joint venture. Therefore, the equity method investment is comprised solely of contributions to the joint venture as there have been no distributions to date.

- **IFRS 12 - Disclosures of Interest in Other Entities**

Effective January 1, 2013, the Corporation implemented IFRS 12, “Disclosure of Interest in Other Entities.” This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. The Corporation’s consolidated financial statements for the year ending December 31, 2013 will contain this additional disclosure.

- **Amendment to IAS 1 Presentation of Financial Statements**

The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss.

The Corporation has updated the presentation of OCI on the face of the Condensed Interim Statements of Comprehensive Loss.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation.

In addition, the following new or amended standards and interpretations that are mandatory for 2013 annual periods have not had a material impact on the Corporation:

- IFRS 7 Financial Instruments: Disclosures: Amendments – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements
- IAS 19 Employee Benefits (Amendments)
- Annual Improvements to IFRSs (2009 – 2011 Cycle)

IFRS 9 Financial instruments (“IFRS 9”) was issued by the IASB on November 12, 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 (“IAS 39”) for debt instruments with a mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Corporation has not early adopted IFRS 9 and is currently evaluating the impact on its financial statements.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRIC 20 sets out the criteria for the capitalization of production stripping costs to non-current assets and requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity. The Corporation has not early adopted IFRIC 20, but does not expect it to have a significant effect on the consolidated financial statements as it does not currently have any assets in production.

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

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

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

## **Financial Instruments and Other Risks**

The Corporation's financial instruments consist of cash, trade and other receivables, trade and other payables, amounts due to shareholder, and finance leases. Management does not believe the financial instruments held by the Corporation expose it to any significant interest, currency or credit risks. The fair market value of these financial instruments approximates their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Corporation relate primarily to exploration and evaluation results, coal prices, access to capital and general market conditions. Exploration and development of mining operations involve many risks, many of which are outside the Corporation's control.

At this stage in the Corporation's development, it relies primarily on equity financing for its working capital and capital requirements to fund its exploration and development programs. Future equity financing could be affected by many factors outside the Corporation's control such as market or commodity price changes, changes in the value of the Canadian dollar against the US dollar, general economic conditions, exploration results or political or economic changes in the jurisdictions in which the Corporation operates. The Corporation does not have sufficient funds to put any of its properties into commercial production from its current financial resources. There is no assurance that such financing will be available to the Corporation when required, or that it will be available on acceptable terms.

## **Outstanding Share Data**

### **Share Capital:**

There was no change to the share capital of the Corporation in the first nine months of 2013 and to the date of this MD&A, the Corporation has 49,256,240 issued and outstanding common shares.

### **Stock Options:**

No stock options were granted in the first nine months of 2013. 946,976 options with an average exercise price of \$0.61 have expired in 2013. To the date of this MD&A, the corporation has 3,955,000 stock options outstanding, all of which were exercisable.

## **Other Information**

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