



## **Management's Discussion and Analysis**

### **Quarter ended March 31, 2016**

This Management Discussion and Analysis ("MD&A"), dated May 25, 2016, relates to the operating results and financial condition of Morien Resource Corp. ("Morien" or the "Corporation") and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2015, unaudited condensed interim consolidated financial statements for the period ended March 31, 2016 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, reserve potential, exploration and evaluation activities, and events or developments the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, 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.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2015, a copy of which is available on the Corporation's SEDAR document page at [www.SEDAR.com](http://www.SEDAR.com).

## **Nature of Business**

### **General**

On November 9, 2012, Advanced Primary Minerals Corporation ("APM") amalgamated with Erdene Resources Inc. ("ERI") to form Morien Resources Corp. pursuant to a statutory plan of arrangement under the *Canada Business Corporation Act*. The principal business of the Corporation is the identification, purchase, exploration and development of mineral interests. The Corporation has a wholly owned subsidiary, Advanced Primary Minerals USA Corp. ("APMUSA"), a Delaware company which holds kaolin interests, 1052 acres of surface land, and is effectively a dormant company.

## **Project Summaries**

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

On January 7, 2015, the Corporation signed a definitive agreement with Kameron Collieries ULC ("Kameron"), an affiliate of The Cline Group LLC ("Cline"), to sell the Corporation's 25% working

interest in the Donkin Coal Project (“Donkin Project”) in Cape Breton, Nova Scotia. Pursuant to the agreement, Kameron agreed to pay Morien aggregate cash consideration of \$5.5 million; \$2.0 million on closing; \$2.0 million on or before the earlier of the sale of first domestic coal and the 2nd anniversary of closing; and \$1.5 million on or before the earlier of the first export sale of coal and the 3rd anniversary of closing. Morien is also entitled to a gross production royalty of 2% on the first 500,000 tonnes of coal sales per calendar quarter, net of certain coal handling and preparation costs, and 4% on any tonnage above 500,000 per calendar quarter.

At a special meeting of shareholders held February 10, 2015, the transaction with Kameron was approved. The transaction closed on February 27, 2015 and the Corporation received its first payment of \$2.0 million. Kameron is now the owner and operator of the Donkin Project. Note that on August 11, 2014, the Corporation announced that it had received notice from Glencore of the intended sale of Glencore's 75% interest in the Donkin Project. On August 25, 2014, the Corporation waived its right of first refusal with respect to the proposed sale by Glencore, allowing Kameron to purchase Glencore's interest.

In Q2 2015, Kameron confirmed that it had finished dewatering the two, 3.6 km long access tunnels to the target coal seam. Since that time Kameron has been actively working onsite to advance the Donkin Project toward production. The following is a list of project development highlights, as of February 2016;

- Tunnel refurbishment is nearing completion
- Additional underground assessment drilling has been completed
- A 69 kV electrical line from the town of Glace Bay to a newly constructed electrical sub-station at the Project has been completed
- The installation of conveyor infrastructure in the main access tunnel is underway with full installation of the conveyor system anticipated in the first half of 2016
- Assembly of the initial mine fleet has commenced, including one continuous miner, two roof bolters, and three personnel carriers, with a second continuous miner expected in 2016
- A new warehouse/washhouse/office is under construction with scheduled completion in Q1 2016
- Initial mining plan calls for a room and pillar operation which includes the use of four continuous miners
- Initial mining is anticipated to commence in 2016 with coal sales to follow the construction of the coal handling, preparation and processing plant (“wash plant”)
- Design of the wash plant and earthworks for this plant area are underway

In May 2016, Kameron confirmed 46 full-time employees/contractors were working on site. Kameron also confirmed that production of the first coal section (Section 001) would commence in late 2016, with the wash plant scheduled to become operational in early 2017, followed by the production of the second coal section (Section 002) in mid-2017.

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

The Black Point aggregate project (“BP Project” or “Black Point”) consists of a granite deposit along the southern shore of Chedabucto Bay in Guysborough County, Nova Scotia, that has suitable characteristics for the development of a crushed stone marine export aggregate operation for supplying markets in the United States and Caribbean region.

On April 11, 2014 Morien entered into agreements (“Agreements”) with Vulcan Materials Company (“Vulcan”) and the Municipality of the District of Guysborough for the development of the BP Project. Under the terms of the Agreements, Vulcan assumed Morien’s interest in the BP Project and became manager and operator of Black Point in exchange for milestone payments totaling \$1,800,000, and a royalty stream payable on all material sold from Black Point over the life of the mine. The first payment of \$1,000,000 was received on signing and transfer of interest to Vulcan. Additional payments totaling \$800,000 are due upon the approval and receipt of environmental assessment approvals and related agreements for the mining and shipping of aggregate from the BP Project.

On April 26, 2016, the Black Point project received positive environmental assessment decisions from both federal and provincial authorities. The full decisions and related documents can be viewed at the Canadian Environmental Assessment Agency website and the Nova Scotia Environment website. On May 5, 2016, the Corporation received a \$400,000 milestone payment from Vulcan following receipt of the positive provincial and federal environmental approvals. Morien is due to receive an additional \$400,000 milestone payment from Vulcan upon the completion of related and pending permitting agreements for Black Point.

#### **Land holdings – Georgia, USA**

In February 2016, the Corporation received confirmation from the successor to International Paper Inc., the lessor of 1,052 acres of mineral rights to APMUSA pursuant to a February 1, 2001 lease for land owned by the Corporation in Hancock County, Georgia but subject to an option to purchase by the lessor for \$1 per acre, that the option expired without exercise. As a result, the Corporation has clear, unencumbered title to said land and is in the process of evaluating options for the asset.

#### **Banks Island Gold Ltd. Royalty – British Columbia, Canada**

Through various corporate transactions dating from 2009 to 2011 involving Morien’s predecessor companies (see Morien’s Annual Information Form for more details), the Corporation acquired a 1.5% Net Smelter Returns royalty (“NSR”) over the marketable metal, ores, minerals and concentrates produced and shipped from a 1,987 hectare area within Banks Islands Gold Ltd.’s (“Banks Island”) Yellow Giant gold property located 105 km south of Prince Rupert, British Columbia.

The Corporation began to receive royalty payments from Banks Island in the second quarter of 2014. On July 31, 2015, Banks Island suspended operations at the Yellow Giant mine and put the mine into care and maintenance until permitting and regulatory issues were resolved and funding secured to recommence operations. Unable to resolve their issues, in January 2016 Banks Island filed for bankruptcy. Morien received a total of \$153,731 from the Yellow Giant mine NSR since operations began. Collection of outstanding royalties is considered remote and no receivable has been recorded for any outstanding royalties.

For a complete list of the risk factors which can affect the Corporation’s projects, please refer to “Risk Factors” in the Corporation’s Annual Information Form for the year ended December 31, 2015.

## Selected Annual Financial Information

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

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

<b>Fiscal Year Ended December 31</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenues	\$ 35	\$ 119	\$ Nil
Loss from operations	\$ 1,078	\$ 839	\$ 1,241
Net loss for the year	\$ 1,078	\$ 14,397	\$ 1,227
Basic and diluted loss per share	\$ 0.02	\$ 0.28	\$ 0.03
Total assets	\$ 5,423	\$ 7,225	\$ 19,213
Total long-term liabilities	\$ Nil	\$ Nil	\$ 150
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

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

## Discussion of Operations

### Three months ended March 31, 2016 and 2015

The Corporation recognized no royalty revenue in 2016 (2015 - \$34,994) (see Project Summaries re Banks Island).

Corporate and administration amounted to \$236,236 for the three months ended March 31, 2016 compared to \$384,580 for the same period in 2015, a \$170,219 decrease. Employee and management services decreased approximately \$96,000 compared to 2015. The prior year included bonuses paid on close of the Donkin sale. Share based compensation decreased \$35,000 in Q1 2016 compared to the same period in 2015. The remaining decrease in administrative costs is due to lower investor relations, travel, regulatory and office costs.

Exploration and evaluation expenses were \$8,521 for the three months ended March 31, 2016 compared to \$24,119 for the same period the prior year. Management has continued to assist Vulcan with permitting the Black Point project and charged \$8,700 to Vulcan for management services in the three months ended March 31, 2016 (2015 - \$20,900).

The Corporation recognized other comprehensive income of \$5,266 (2015 - \$60,497) related to an adjustment to the fair value of the Kameron receivable and unrealized gain on available-for-sale marketable securities.

Net loss for the three months ended March 31, 2016 was \$251,968 or \$0.00 per share compared to a comprehensive loss of \$361,437 or \$0.01 per share for the same period in 2015.

## Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2016		Fiscal 2015			Fiscal 2014		
	Q1 Mar-16	Q4 Dec-15	Q3 Sep-15	Q2 Jun-15	Q1 Mar-15	Q4 Dec-14	Q3 Sep-14	Q2 Jun-14
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 35	\$ 18	\$ 22	\$ 79
Net income (loss)	\$ (252)	\$ (184)	\$ (263)	\$ (330)	\$ (301)	\$ (14,599)	\$ (154)	\$ 540
Basic and diluted income (loss) per share	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.27)	\$ (0.01)	\$ 0.01
Total assets	\$ 5,026	\$ 5,423	\$ 5,697	\$ 5,975	\$ 7,076	\$ 7,225	\$ 20,596	\$ 19,581

All financial data has been prepared in accordance with IFRS.

The Corporation's expenditures and net loss vary from quarter to quarter depending largely on the extent of corporate and administrative support required with respect to its core assets. Upon successful permitting and the completion of related agreements of the Black Point Project, the Corporation will receive the remaining payment of \$400,000 from Vulcan. The net income amount in the second quarter of 2014 related to the gain recognized on the sale of the Black Point project. 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 March 31, 2016, the Corporation had working capital of \$2,153,065, compared to \$2,534,283 at December 31, 2015.

In the three months ended March 31 2016, the Corporation purchased 633,000 shares under a normal course issuer bid ("NCIB") at a total cost of \$155,297. Subsequent to March 31, 2016, to the date of this MD&A, the Corporation purchase an additional 910,500 shares under the NCIB, at a total cost of \$249,778. (See Outstanding Share Data). On May 5, 2016 the Corporation received a \$400,000 milestone payment from Vulcan. An additional \$400,000 is due upon receipt of certain other permitting agreements.

Subject to all the risks and uncertainties outlined in greater detail in the Corporation's December 31, 2015 AIF, with a production decision, potential future royalties from the Donkin Project could range from \$4.0 to \$6.0 million per year at full production of 2.75 million tonnes per year of saleable coal and royalties from Black Point could range from \$250,000 to \$750,000 per year over the mine life.

As of the date of this MD&A, the Corporation had working capital of approximately \$2.2 million, which is expected to meet the Corporation's obligations into 2017. The Corporation may also continue to use its cash resources to acquire outstanding common shares under its normal course issuer bid (see Outstanding Share Data).

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**

Morien is in the desirable position of having a cash balance sufficient to cover operating costs into 2017, near-term milestone payments pending, and two core assets in the form of attractive royalty interests in the Donkin and Black Point Projects. With its strong capital position, the Corporation is focused on identifying additional mineral assets to purchase, which will complement the Corporation's existing portfolio.

The Corporation also has an active NCIB in place and may continue to purchase outstanding common shares under the plan if/when management feels the purchases represent the best value to shareholders.

## **Contractual Obligations**

The Corporation signed a management services agreement with Erdene Resource Development Corporation for management personnel, office space and sundry costs. In 2015, the fee amounted to \$466,213 (2014 - \$421,829) and is expected to be approximately \$380,000 in 2016, which the Corporation expects to satisfy from its current cash resources.

## **Off-Balance Sheet Arrangements**

As at March 31, 2016, 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.

## **Contingent Liabilities**

In connection with the sale of the Corporation's 25% interest in the Donkin Coal Project, the Corporation gave an indemnification to Kameron Collieries ULC with respect to certain possible litigation matters related to the Donkin Coal Project and other related matters. No such claims or litigation have been initiated and the financial amount of potential claims cannot be reasonably estimated, although it is possible that such claims could be material. The Corporation has concluded that it is not probable that liability will result from these matters or from the indemnity and therefore no amount has been accrued in the financial statements.

## **Outstanding Share Data**

### **Normal Course Issuer Bid:**

On January 26, 2016, the Corporation filed a notice of intention to acquire up to 4,455,000 common shares pursuant to the bid, which expires on January 31, 2017. Purchases pursuant to the NCIB are made in the open market through the facilities of the TSX Venture Exchange. A copy of the NCIB is available to shareholders, without charge, upon request to the Company at Attn: Mike O'Keefe, 99 Wyse Rd., Dartmouth, NS, B3A 4S5.

### **Share Capital:**

Under the Corporation's NCIB, during the quarter ended March 31, 2016, the Corporation repurchased 633,000 shares, at a cost of \$155,297 (2015 - 1,190,000 shares at a cost of \$240,157). Subsequent to

March 31, 2016, to the date of this MD&A, the Corporation purchased an additional 910,500 shares, at a total cost of \$249,778.

To the date of this MD&A, the Corporation had 54,765,614 shares issued and outstanding.

#### **Stock Options:**

During the three months ended March 31, 2016, 125,000 options with a weighted average exercise price of \$0.22 were granted to a director and 57,500 options with a weighted average exercise price of \$1.49 expired.

To the date of this MD&A, the Corporation had 5,052,500 stock options outstanding with an average exercise price of \$0.27, all of which were exercisable.

#### **Broker Warrants:**

As of the date of this MD&A, the Corporation had 341,728 outstanding broker warrants. Each broker warrant entitles the holder to purchase one common share of the Corporation at \$0.25 per share until September 26, 2016.

### **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.

#### **Due from Kameron Collieries**

In assessing the value of the remaining \$3.5 million due from Kameron, the Corporation performed a probability analysis to determine the likelihood of collection of the remaining two payments. The first future payment was assigned a probability of collection of 80%; and the second future payment was assigned a probability of collection of 80%. Once the first future payment is received, payment of the second becomes more likely. The present value of the payments was discounted using an average risk free rate of 0.54%.

The estimate of the recoverable amounts from the sale of the Donkin Project, and the amount recorded as impairment, are subject to significant judgment and uncertainty. As the future amounts to be received by the Corporation are highly dependent on the development and operation of the project, they may be higher or lower than initially estimated. Changes in these estimates will be recorded in future periods as these uncertainties are resolved and the actual cash payments are received. These amounts may differ materially from the amounts initially estimated.

#### **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.

## **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.

## **Adoption of New Accounting Standards**

The accounting policies applied in the consolidated financial statements for the period ended March 31, 2016 are consistent with those used in the Corporation's Consolidated Financial Statements for the year ended December 31, 2015, except as outlined below:

(a) Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16)

The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefit embodied in the asset. These amendments did not have a material impact to the financial statements.

(b) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.



## **Future Changes in Accounting Policies**

The following new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated statements:

### **(c) Amendments to IFRS 9 - Financial Instruments**

The IASB has issued IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The Corporation intends to adopt IFRS 9 for the annual period beginning January 1, 2018, but does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Corporation's financial assets is not expected to change under IFRS 9 because of the nature of the Corporation's operations and the types of financial assets it holds.

## **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.

Venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of, nor are they required to establish, disclosure controls and procedures and internal controls over financial reporting, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

## **Financial Instruments and Other Risks**

### **Financial Instruments**

The Corporation's financial instruments consist of cash, receivables and trade and other payables. Management does not believe the financial instruments held by the Corporation at December 31, 2015 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.

### **Risks**

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

Exploration and development of mining operations involve many risks, many of which are outside the Corporation's control.

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 evaluation programs. Future equity financing could be affected by many factors outside the Corporation's control such as the successful development and operation of the projects in which it owns royalties, market or commodity price changes underlying the Corporation's royalty agreements, changes in the value of the Canadian dollar against the US dollar, general economic conditions, exploration and evaluation results or economic changes in the jurisdictions in which the Corporation operates.

Additional risk factors affecting the Corporation are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2015, available at [www.SEDAR.com](http://www.SEDAR.com).

## **Other Information**

Additional information regarding the Corporation, including the Corporation's annual information form, 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).