



Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 2016

*(Canadian dollars)*  
*(Unaudited)*

Prepared by Management – See Notice to Reader

## **NOTICE TO READER**

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Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Morien Resources Corp. as at September 30, 2017 and December 31, 2016 and the unaudited condensed interim consolidated statements of comprehensive income (loss), change in equity and cash flows for the three and nine months ended September 30, 2017 and 2016. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2017 and 2016 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	September 30, 2017	December 31, 2016
<b>ASSETS</b>			
Current assets:			
Cash		\$ 3,017,381	\$ 1,322,764
Receivables		21,063	3,113
Marketable securities	3	281,178	80,955
Prepaid expenses		16,488	22,859
Current portion of long-term receivable	4	1,341,540	2,000,000
		<b>4,677,650</b>	<b>3,429,691</b>
Non-current assets:			
Long-term receivable	4	-	1,264,191
<b>TOTAL ASSETS</b>		<b>\$ 4,677,650</b>	<b>\$ 4,693,882</b>
<b>LIABILITIES &amp; EQUITY</b>			
Current liabilities:			
Trade and other payables		\$ 59,802	\$ 67,253
<b>TOTAL LIABILITIES</b>		<b>59,802</b>	<b>67,253</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	\$ 3,299,559	\$ 24,705,285
Contributed surplus	5	1,485,405	17,731,330
Accumulated other comprehensive income		340,717	755,790
Deficit		(507,833)	(38,565,776)
<b>TOTAL EQUITY</b>		<b>\$ 4,617,848</b>	<b>\$ 4,626,629</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 4,677,650</b>	<b>\$ 4,693,882</b>

Contingent liability (Note 6)

Subsequent event (Note 9)

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

Approved on behalf of the Board:

Signed "John P.A. Budreski"

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Director

Signed "John P. Byrne"

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Director

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2017	2016	2017	2016
Royalty income		\$ 41,441	\$ -	\$ 45,597	\$ -
Corporate and administration expenses		138,703	259,707	568,947	718,057
Exploration and evaluation expenses		607	27,033	17,783	46,975
Foreign exchange loss		8,013	493	17,369	19,796
Operating expenses		(147,323)	(287,233)	(604,099)	(784,828)
Finance income		7,420	4,202	18,985	16,592
Loss from operations		(139,903)	(283,031)	(585,114)	(768,236)
Realized gain on receipt of long-term receivable	4	-	-	641,578	-
Other income	7	-	-	151,756	400,000
Net income (loss)		\$ (98,462)	\$ (283,031)	\$ 253,817	\$ (368,236)
Other comprehensive income (loss):					
Items which may subsequently be recycled through profit and loss					
Realized gain on receipt of long-term receivable	4	\$ -	\$ -	\$ (641,578)	\$ -
Fair value adjustment on long-term receivable, net of tax of nil	4	1,397	3,621	77,348	9,078
Unrealized gain (loss) on available-for-sale marketable securities, net of tax of nil		(83,359)	(6,008)	149,618	24,118
Other comprehensive income (loss)		(81,962)	(2,387)	(414,612)	33,196
Total comprehensive loss		\$ (180,424)	\$ (285,418)	\$ (160,795)	\$ (335,040)
Basic and diluted income (loss) per share		\$ (0.00)	\$ (0.01)	\$ 0.00	\$ (0.01)
Basic and diluted weighted average number of shares outstanding		52,948,407	53,857,114	52,942,847	54,488,182

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

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Changes in Equity for the nine months ended September 30, 2017 and 2016

(Canadian dollars)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
<b>Balance at January 1, 2016</b>		55,400,614	\$ 25,427,254	\$ 17,675,080	\$ 269,791	\$ (38,059,188)	\$ 5,312,937
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(368,236)	(368,236)
Other comprehensive income		-	-	-	33,196	-	33,196
Normal course issuer bid purchase of common shares	5	(1,756,000)	(467,629)	-	-	-	(467,629)
Share-based compensation		-	-	51,175	-	-	51,175
<b>Balance at September 30, 2016</b>		53,644,614	\$ 24,959,625	\$ 17,726,255	\$ 302,987	\$ (38,427,424)	\$ 4,561,443
<b>Balance at January 1, 2017</b>		52,986,614	\$ 24,705,285	\$ 17,731,330	\$ 755,790	\$ (38,565,776)	\$ 4,626,629
Total comprehensive income for the period:							
Net income		-	-	-	-	253,817	253,817
Other comprehensive loss		-	-	-	(415,073)	-	(415,073)
Reduction of stated capital	5	-	(21,804,126)	(16,000,000)	-	37,804,126	-
Normal course issuer bid purchase of common shares	5	(574,500)	(325,328)	-	-	-	(325,328)
Options exercised		1,535,750	723,728	(245,925)	-	-	477,803
<b>Balance at September 30, 2017</b>		53,947,864	\$ 3,299,559	\$ 1,485,405	\$ 340,717	\$ (507,833)	\$ 4,617,848

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

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the nine months ended	
	Notes	2017	2016
<b>Cash flows from operating activities:</b>			
Net income (loss)		\$ 253,817	\$ (368,236)
Item not involving cash:			
Share-based compensation		-	51,175
Gain on collection of long-term receivable	4	(641,578)	-
Net finance income		(18,985)	(16,592)
Change in non-cash working capital		1,980,970	(18,102)
Cash flows from operating activities		\$ 1,574,224	\$ (351,755)
<b>Cash flows from financing activities:</b>			
Proceeds on exercise of stock options		477,803	-
Purchase of shares for cancellation		(325,328)	(467,629)
Cash flows from financing activities		\$ 152,475	\$ (467,629)
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	3	(51,067)	(80,493)
Interest received		18,985	16,592
Cash flows from investing activities		\$ (32,082)	\$ (63,901)
Increase (decrease) in cash		\$ 1,694,617	\$ (883,285)
Cash, beginning of period		1,322,764	2,616,577
Cash, end of period		\$ 3,017,381	\$ 1,733,292

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

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

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### 1. Nature of operations

Morien Resources Corporation (“Morien” or the “Corporation”), a corporation domiciled in Canada, was formed when Advanced Primary Minerals Corporation (“APM”) amalgamated with Erdene Resources Inc. (“ERI”) on November 9, 2012 pursuant to a statutory plan of arrangement under the provisions of the *Canada Business Corporations Act*. The address of the Corporation’s registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The condensed interim consolidated financial statements of the Corporation as at September 30, 2017 and 2016 comprise the Corporation and its subsidiary Advanced Primary Minerals USA Corp (“APMUSA”). The principal business of the Corporation is the identification, purchase, exploration and development of mineral properties.

### 2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”).

These financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Corporations consolidated financial statements for the year ended December 31, 2016. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation’s 2016 annual consolidated financial statements which have been prepared in accordance with IFRS.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 24, 2017.

### 3. Marketable securities

In the nine months ended September 30, 2017, the Corporation purchased certain publicly traded marketable securities which management classifies as available-for-sale. The cost of purchases in 2017 was \$51,067 (2016 - \$80,493). At September 30, 2017, the fair value of these securities was \$281,640 (December 31, 2016 – \$80,955). The Corporation recognized a \$149,618 unrealized gain on these marketable securities as other comprehensive income in the nine months ended September 30, 2017 (2016 - \$24,118).

### 4. Long-term receivable

Each reporting period the Corporation revalues the remaining \$1.5 million cash consideration owed to the Corporation by Kameron. The fair value adjustment is recorded, net of any tax effect, in accumulated other comprehensive income (loss) until the funds are received, at which point the adjustment will flow through the statement of income (loss).

In light of the continued progress Kameron has made in developing the mine, and receipt of the first production royalty in Q2 2017, management increased the probability of collection of the final milestone payment from 85% to 90%. The resultant amount has been discounted at a risk free rate of 1.51% to arrive at a fair value for the long-term receivable of \$1,341,540 at September 30, 2017. The revaluation resulted in other comprehensive income of \$77,348 for the period ended September 30, 2017 (2016 - \$9,078). The Corporation realized a \$641,578 gain on collection of the second Kameron milestone payment in February 2017.

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

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### 4. Long-term receivable (continued)

As the future amount to be received by the Corporation is highly dependent on the development and operation of the project, it 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.

### 5. Share Capital

In the first nine months of 2017, 1,535,750 stock options (2016 – Nil) were exercised for gross proceeds of \$477,803 (2016 – Nil).

Under the terms of a normal course issuer bid (“NCIB”), 574,500 shares were purchased in the first nine months of 2017 (2016 – 1,756,000) at a total cost of \$325,328 (2016 - \$467,629).

As approved by shareholders at the Corporation’s Annual General Meeting held on June 14, 2017, the stated capital of the Corporation’s common shares was reduced to \$2,160,000 effective June 14, 2017. The reduction will allow management the flexibility to take certain corporate actions, including declaring or paying dividends. For more information, refer to the Corporation’s Management Information Circular dated May 12, 2017, which can be found on the Corporation’s website ([www.morienres.com](http://www.morienres.com)) or under the Corporation’s profile on [www.sedar.com](http://www.sedar.com). In conjunction with the reduction in the stated capital, the Corporation also reduced the contributed surplus of the Corporation via Board of Directors approval.

### 6. Contingent liability

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.

### 7. Other income

In Q2 2017, the Corporation received a payment of \$151,756 from Glencore PLC (“Glencore”). The payment was triggered on production at the Donkin Mine. The payment fulfils all obligations under the Corporation’s prior alliance agreement with Glencore.

In Q2 2016, the Corporation received a \$400,000 milestone payment from Vulcan Materials Company (“Vulcan”) following receipt of the positive provincial and federal environmental approvals on the Black Point Project. 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. Future milestone payments will be recorded when they are received. Future milestone payments will be recorded with they are received.



# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

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### 8. Financial instruments

#### Credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	September 30, 2017	December 31, 2016
Cash	\$ 3,017,381	\$ 1,322,764
Current portion of long-term receivable	1,341,540	2,000,000
Receivables	21,063	3,113
Long-term receivable	-	1,264,191
	<u>\$ 4,379,984</u>	<u>\$ 4,590,068</u>

The Corporation manages credit risk by holding the majority of its cash with Canadian Schedule I banks, where management believes the risk of loss to be low.

Receivables include the final milestone payment from Kameron, due no later than February 28, 2018. The credit risk on the Kameron receivables is factored into the Corporation's fair value estimates.

#### Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of September 30, 2017, the Corporation had a cash balance of \$3,017,381 (December 31, 2016 - \$1,322,764) to settle current liabilities of \$59,802 (December 31, 2016 - \$67,253).

#### Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### (a) Interest rate risk

The Corporation has no interest-bearing debt and is not exposed to any significant interest rate risk.

##### (b) Foreign currency risk

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

The Corporation's exposure to USD dollar currency risk was \$185,451 at September 30, 2017 (December 31, 2016 - \$9,960). Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately \$18,500 (December 31, 2016 - \$1,000).

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

### 8. Financial instruments (continued)

#### Market risk (continued):

##### (b) Commodity price risk

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors prices for the commodities underlying the Corporation's royalties. In the first quarter of 2017, the Donkin Mine went into production. At this point the Corporation doesn't enter into any hedging to offset risk.

##### (c) Equity price risk

The Company is exposed to equity price risk through its marketable securities. Sensitivity to a plus or minus 10% change in the market value of its marketable securities would affect comprehensive loss by approximately \$28,100 (December 31, 2016 - \$8,100).

#### Fair value

During the periods ended September 30, 2017 and December 31, 2016, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash	\$ 3,017,381	\$ -	\$ -	\$ 1,322,764	\$ -	\$ -
Marketable securities	281,178	-	-	80,955	-	-
Current portion of long-term receivable	-	-	1,341,540	-	-	2,000,000
Receivables	-	21,063	-	-	3,113	-
Financial asset classified as available-for-sale long-term receivable	-	-	-	-	-	1,264,191
Financial liabilities at amortized cost:						
Trade and other payables	\$ -	\$ 59,802	\$ -	\$ -	\$ 67,253	\$ -

The receivables relating to the sale of the Corporation's 25% working interest in Donkin are financial assets categorized as level 3 because the fair value measurement is based on significant inputs not observable in the market, (see note 3).

### 9. Subsequent event

Subsequent to September 30, 2017, a total of 1,509,250 options were exercised by directors and officers of the corporation at an average price of \$0.27 per share generating gross proceeds of \$407,498.