



Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(Canadian dollars)
(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

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 March 31, 2017 and December 31, 2015 and the unaudited condensed interim consolidated statements of comprehensive loss, change in equity and cash flows for the three months ended March 31, 2017 and 2016. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 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	March 31, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash		\$ 3,063,340	\$ 1,322,764
Receivables		1,394	3,113
Marketable securities		302,320	80,955
Prepaid expenses		28,628	22,859
Current portion of long-term receivable	3	1,266,500	2,000,000
		4,662,182	3,429,691
Non-current assets:			
Long-term receivable	3	-	1,264,191
TOTAL ASSETS		\$ 4,662,182	\$ 4,693,882
LIABILITIES & EQUITY			
Current liabilities:			
Trade and other payables		\$ 52,491	\$ 67,253
TOTAL LIABILITIES		52,491	67,253
SHAREHOLDERS' EQUITY			
Share capital	4	\$ 24,716,960	\$ 24,705,285
Contributed surplus		17,727,755	17,731,330
Accumulated other comprehensive income		408,416	755,790
Deficit		(38,243,440)	(38,565,776)
TOTAL EQUITY		\$ 4,609,691	\$ 4,626,629
TOTAL LIABILITIES AND EQUITY		\$ 4,662,182	\$ 4,693,882

Contingent liability (Note 5)

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"

Director

Signed "John P. Byrne"

Director

MORIEN RESOURCES CORP.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Canadian dollars)

(Unaudited)

		For the three months ended	
		March 31,	
	Notes	2017	2016
Corporate and administration expenses		\$ 195,141	\$ 236,236
Exploration and evaluation expenses		6,506	8,521
Foreign exchange loss		367	12,289
Operating expenses		(202,014)	(257,046)
Finance income		4,369	5,078
Loss from operations		(197,645)	(251,968)
Realized gain on receipt of long-term receivable	3	519,981	-
Net income (loss)		\$ 322,336	\$ (251,968)
Other comprehensive income (loss):			
Items which may subsequently be recycled through profit and loss			
Fair value adjustment on long-term receivable, net of tax of nil	3	\$ (517,672)	\$ 1,094
Unrealized gain on available-for-sale marketable securities, net of tax of nil		170,298	4,172
Other comprehensive income (loss)		(347,374)	5,266
Total comprehensive loss		\$ (25,038)	\$ (246,702)
Basic and diluted income (loss) per share		\$ 0.01	\$ (0.00)
Basic and diluted weighted average number of shares outstanding		52,989,364	55,136,229

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 three months ended March 31, 2017 and 2016

(Canadian dollars)

(Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at January 1, 2016	55,400,614	\$ 25,427,254	\$ 17,675,080	\$ 269,791	\$ (38,059,188)	\$ 5,312,937
Total comprehensive income for the period:						
Net loss	-	-	-	-	(251,968)	(251,968)
Other comprehensive income	-	-	-	5,266	-	5,266
Normal course issuer bid purchase of common shares (Note 4)	(633,000)	(155,297)	-	-	-	(155,297)
Share-based compensation	-	-	21,875	-	-	21,875
Balance at March 31, 2016	54,767,614	\$ 25,271,957	\$ 17,696,955	\$ 275,057	\$ (38,311,156)	\$ 4,932,813
Balance at January 1, 2017	52,986,614	\$ 24,705,285	\$ 17,731,330	\$ 755,790	\$ (38,565,776)	\$ 4,626,629
Total comprehensive loss for the period:						
Net income	-	-	-	-	322,336	322,336
Other comprehensive loss	-	-	-	(347,374)	-	(347,374)
Options exercised	27,500	11,675	(3,575)	-	-	8,100
Balance at March 31, 2017	53,014,114	\$ 24,716,960	\$ 17,727,755	\$ 408,416	\$ (38,243,440)	\$ 4,609,691

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 three months ended	
	Notes	March 31,	
		2017	2016
Cash flows from operating activities:			
Net income (loss)		\$ 322,336	\$ (251,968)
Item not involving cash:			
Share-based compensation		-	21,875
Gain on collection of long-term receivable	3	(519,981)	-
Net finance income		(4,369)	(5,078)
Change in non-cash working capital		1,930,121	(7,232)
Cash flows from operating activities		\$ 1,728,107	\$ (242,403)
Cash flows from financing activities:			
Proceeds on exercise of stock options		8,100	-
Purchase of shares for cancellation		-	(155,297)
Cash flows from financing activities		\$ 8,100	\$ (155,297)
Cash flows from investing activities:			
Interest received		4,369	5,078
Cash flows from investing activities		\$ 4,369	\$ 5,078
Increase (decrease) in cash		\$ 1,740,576	\$ (392,622)
Cash, beginning of period		1,322,764	2,616,577
Cash, end of period		\$ 3,063,340	\$ 2,223,955

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 months ended March 31, 2017 and 2016

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 March 31, 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 May 26, 2017.

3. 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). The revaluation resulted in other comprehensive income of \$2,309 in the first quarter of 2016 (2015 - \$1,094). As a result of collecting the second milestone payment of \$2.0 million in February 2017, the Corporation realized a \$519,981 gain on the change in fair value of the second milestone payment.

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.

4. Share Capital

In the first quarter of 2017, 27,500 stock options (2016 – Nil) were exercised for gross proceeds of \$8,100 (2016 – Nil).

Under the terms of a normal course issuer bid (“NCIB”), no shares were purchased in the first quarter of 2017. Morien purchased for cancellation 633,000 shares in the three months ended March 31, 2016 at a total cost of \$155,297, including \$8,526 in transaction costs.

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2017 and 2016

5. 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.

6. 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:

	March 31, 2017	December 31, 2016
Cash	\$ 3,063,340	\$ 1,322,764
Current portion of long-term receivable	1,266,500	2,000,000
Receivables	1,394	3,113
Long-term receivable	-	1,264,191
	<u>\$ 4,331,234</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 March 31, 2017, the Corporation had a cash balance of \$3,063,340 (December 31, 2016 - \$1,322,764) to settle current liabilities of \$52,491 (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.

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2017 and 2016

6. Financial instruments (continued)

Market risk (continued):

(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 \$10,067 at March 31, 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 \$1,000 (December 31, 2016 - \$1,000).

The Corporation's exposure to British pound currency risk was \$19,068 at March 31, 2017 (December 31, 2016 - \$53,344). Sensitivity to a plus or minus 10% change in the British pound exchange rate would affect comprehensive loss and deficit by approximately \$1,900 (December 31, 2016 - \$5,300).

(c) 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.

(d) 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 \$30,200 (December 31, 2016 - \$8,100).

Fair value

During the periods ended March 31, 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.

	March 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash	\$ 3,063,340	\$ -	\$ -	\$1,322,764	\$ -	\$ -
Marketable securities	302,320	-	-	80,955	-	-
Current portion of long-term receivable	-	-	1,266,500	-	-	2,000,000
Receivables	-	1,394	-	-	3,113	-
Financial asset classified as available-for-sale long-term receivable	-	-	-	-	-	1,264,191
Financial liabilities at amortized cost:						
Trade and other payables	\$ -	\$ 52,491	\$ -	\$ -	\$ 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).