



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

### **Quarter ended June 30, 2018**

This Management Discussion and Analysis ("MD&A"), dated August 28, 2018 relates to the operating results and financial condition of Morien Resources Corp. ("Morien" or the "Corporation") and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the periods ending June 30, 2018 and 2017, the audited consolidated financial statements for the years ended December 31, 2017 and 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, including those that address future milestone and royalty payments, the acquisition of additional mineral assets, expected working capital requirements, future purchases under the Corporation's Normal Course Issuer Bid ("NCIB"), future dividend payments, 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 (including assumptions relating to economic, market and political conditions and the Corporation's working capital requirements), 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, 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 Financial Instruments and Other Risks below.

### **Nature of Business**

Morien is a Canada based, dividend-paying, mining development company focused on the identification and purchase of mineral projects. The Corporation holds two royalty interests in coal and aggregates on tidewater-accessed projects in Nova Scotia, Canada. The Donkin Coal Mine commenced production in 2017 and is paying royalties to Morien. The Black Point Aggregate Project is permitted and the Corporation is receiving quarterly minimum royalties, although production has not yet begun. Morien announced an inaugural quarterly dividend payment in Q4 2017. It is the Corporation's intention to transition its dividend from a set quarterly amount to a percentage of free cash flow commensurate with Donkin mine production expansion. Morien has an active Normal Course Issuer Bid through which has purchased approximately 15.4% of the Corporation's outstanding common shares since 2015. The Corporation is focused on identifying additional royalty assets to purchase to complement the Corporation's existing assets. Subject to all the risks and uncertainties outlined in greater detail

elsewhere in this MD&A, potential future royalties from the Donkin Mine could range from \$4.0 to \$8.0 million per year at full production over the anticipated 25-year life of mine, and royalties from Black Point could range from \$250,000 to \$750,000 per year over the anticipated 50-year life of mine.

## **Project Summaries**

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

The Donkin Coal Mine (“Donkin” or “Donkin Mine”) is a producing coal mine located in Cape Breton, Nova Scotia owned and operated by The Cline Group (“Cline”). Cline has developed and operated some of the most productive underground coal mines in the United States.

In January 2015, the Corporation signed a definitive agreement with Kameron Collieries ULC (“Kameron”), an affiliate of Cline, to sell the Corporation’s 25% working interest in Donkin. 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 (February 27, 2017); and \$1.5 million on or before the earlier of the first export sale of coal and the 3rd anniversary of closing (February 27, 2018). Morien is also entitled to a gross production royalty for the life of mine, of 2% on the revenue from the first 500,000 tonnes of coal sales per calendar quarter, net of certain coal handling and transportation costs, and 4% on any tonnage above 500,000 tonnes per calendar quarter, net of certain coal handling and transportation costs.

At a special meeting of shareholders held February 10, 2015, the transaction with Kameron was approved. The transaction closed on February 27, 2015 and Kameron became the owner and operator of the Donkin Mine. The Corporation received its first payment of \$2.0 million on close of the sale on February 27, 2015. On February 27, 2017, the Corporation received its second milestone payment of \$2.0 million. The final milestone payment of \$1.5 million was received on December 8, 2017 when the first export sale of coal from Donkin was completed.

The following is a list of recent events related to Kameron’s Donkin Mine:

- Q1 2017: Production from the first continuous miner unit was announced.
- Q2 2017: The Corporation received its first royalty on salable coal from Donkin.
- Q3 2017: A 500 tonne per hour coal handling and preparation plant (washplant) became operational.
- Q4 2017: Kameron reported the first export of coal from Donkin.
- Q2 2018: Kameron purchased a second continuous miner section
- Q2 2018: Kameron signed a multi-year coal offtake agreement with local power utility Nova Scotia Power Inc., for a portion of Donkin thermal coal production.
- A total of 100 employees/contractors are currently working onsite at Donkin, up from 70 employees/contractors in Q4 2017. Kameron is forecasting a total of 135 full-time workers onsite at full production.
- Kameron’s original production guidance for Donkin included reaching full production of 2.75 million saleable tonnes over a three-year period, achieving full production in 2019. However, in response to changing mining conditions, Kameron announced in Q4 2017 that it is developing a new mine plan for Donkin and has ordered new mining equipment, both of which require regulatory approvals from the Nova Scotia provincial government. While production at Donkin

continues to steadily increase, the timing of these approvals is unknown at present and may delay the rate of production increases. Should Kameron's prior production guidance materially change, Morien management will provide revised guidance when supporting information becomes available.

- Morien recognized a total of \$497,522 in royalty payments from Kameron between Q2 2017 and Q2 2018 (\$216,085 in Q2 2018).
- Using a wide range of coal pricing (CAD \$55 to \$115 per tonne), annual royalty payments could be in the order of \$4.0 million to \$8.0 million at full production. These values are only estimates based on assumptions Morien management consider reasonable, as of the date of this MD&A, and would only be achieved if and when Donkin reaches permitted production levels<sup>1</sup>. Actual results and royalties received, if any, subject primarily to production rates and coal pricing, may vary from those estimated by Morien.
- Kameron has cited the following as key project strengths at Donkin:
  - Coal quality – low ash, high energy thermal coal; and high quality metallurgical coal (low ash, high vitrinite content, high fluidity, high crucible swell number);
  - Low mining costs;
  - Short truck haul to local power stations and deep-water port; and
  - Substantial resource (25 year mine life) – production assumptions based on Probable Reserves of 58 million tonnes. The Reserve estimate is based on an Indicated Resource of 174 million tonnes, which does not include an additional 172 million tonnes of Inferred Resources.

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

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

In April 2014, Morien entered into agreements (“Agreements”) with Vulcan Materials Company (“Vulcan”), the United State’s largest aggregate producer, 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 production royalty payable on all material sold from Black Point over the 50+ year life of the project. The first payment of \$1,000,000 was received in 2014 on signing and transfer of interest to Vulcan.

In April 2016, the BP 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. In May 2016,

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<sup>1</sup> The above technical disclosures are consistent with the information in the technical report titled “Technical Report, Donkin Coal Project, Cape Breton, Nova Scotia, Canada” dated November 2012, found on Morien’s SEDAR profile.

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 and final milestone payment of \$400,000 from Vulcan upon the completion of related and pending permitting agreements for Black Point.

In April 2018, Vulcan was granted a 2-year extension by the Nova Scotia provincial government for the BP Project. Vulcan indicated the target market conditions for crushed stone from the Black Point location are still short of their original expectations.

“While conditions are not yet ready for Black Point Aggregates to break ground, we maintain our strong interest in the Project,” said Frank Lieth, Vulcan’s Vice President of Black Point Aggregates Inc., a wholly owned subsidiary of Vulcan. “Although the time is not quite right to move forward, we will continue to invest in the project and work to meet the requirements outlined in the April 26, 2016, environmental approval. We are not going anywhere - we remain very much committed to the community, stakeholders, and agreements made.”

According to the conditions of the extension, Vulcan must within two years of the approval of the date of the extension (April 2020), commence work on the BP Project unless granted a further written extension by the Minister of Environment.

Morien is receiving a Minimum Royalty from Vulcan of \$25,000 per quarter, which began in Q3 2017. All minimum royalty payments will be credited against future production royalties from Black Point. The minimum royalty is subject to annual inflationary adjustments.

### **Land Holdings – Georgia, USA**

Pursuant to a February 1, 2001 agreement, International Paper Inc. (“IP”) had an option to purchase 1,054 acres of land for \$1 per acre in Hancock County, Georgia, USA, owned by Advanced Primary Minerals USA Corp. (“APMUSA”), a Delaware company and wholly owned subsidiary of the Corporation. In February 2016, the Corporation received confirmation from the successor to IP that the option expired without exercise, relinquishing ownership of the land to APMUSA. The Corporation is evaluating options for the land.

### **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>2017</b>	<b>2016</b>	<b>2015</b>
Revenues	\$ 166	\$ Nil	\$ 35
Loss from operations	\$ (589)	\$ (907)	\$ (1,078)
Net income (loss) for the year	\$ 554	\$ (507)	\$ (1,078)
Basic income (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.02)
Diluted income (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.02)
Total assets	\$ 4,274	\$ 4,694	\$ 5,423
Cash dividends declared	\$ 272	\$ Nil	\$ Nil
Cash dividends declared per share	\$ 0.005	\$ Nil	\$ Nil

## Discussion of Operations

### Three months ended June 30, 2018 and 2017

The Corporation recognized \$241,085 in royalty revenue in the second quarter of 2018 (2017 – \$4,156) including \$25,000 from Vulcan for minimum royalties on Black Point and \$216,085 in royalties from Donkin coal sales in Q2 2018 (2017 – \$4,156). See Project Summaries for more information.

Corporate and administration expenses, including non-cash share-based compensation, amounted to \$1,114,567 for the three months ended June 30, 2018 (2017 - \$235,103). Excluding non-cash share-based compensation of \$948,200, corporate and administration expenses decreased by \$68,736. The table below provides a breakdown of the corporate and administration costs for the three months ended June 30, 2018 and 2017.

	For the three months ended June 30,		
	2018	2017	Change
Employee and service agreement fees	\$ 85,348	\$ 119,389	\$ (34,041)
Share-based compensation	948,200	-	948,200
Investor relations and communications	2,696	41,487	(38,791)
Office and sundry	9,799	8,194	1,605
Professional fees	18,267	12,855	5,412
Regulatory compliance	43,134	45,008	(1,874)
Travel and accommodations	7,123	8,170	(1,047)
	<b>\$ 1,114,567</b>	<b>\$ 235,103</b>	<b>\$ 879,464</b>

Net loss for the three months ended June 30, 2018 was \$715,204 or \$0.01 per share compared to net loss of \$91,654 or \$0.00 per share for the same period the prior year.

The Corporation also recognized other comprehensive loss of \$59,329 in the three months ended June 30, 2018 (2017 – comprehensive income of \$62,679) related to realized gain on sale and fair value adjustment on available-for-sale marketable securities. In the prior year, the Corporation recognized other comprehensive income of \$73,642 related to the fair value adjustment of the outstanding Kameron receivable. Total comprehensive loss for the three months ended June 30, 2018 was \$774,533 compared to income of \$44,667 for the same period in 2017.

### Six months ended June 30, 2018 and 2017

The Corporation recognized \$431,430 in royalty revenue in the six months ended June 30, 2018 (2017 – \$4,156) including \$50,000 from Vulcan for minimum royalties on Black Point and \$381,430 in royalties from Donkin coal sales (2017 – \$4,156). See Project Summaries for more information.

Corporate and administration expenses, including non-cash share-based compensation, amounted to \$1,316,310 in the six months ended June 30, 2018 (2017 - \$430,244). Excluding non-cash share-based compensation of \$948,200, corporate and administration expenses decreased by \$62,134. The table below provides a breakdown of the corporate and administration costs for the periods ended June 30, 2018 and 2017.

	For the six months ended June 30,		
	2018	2017	Change
Employee and service agreement fees	\$ 160,609	\$ 205,952	\$ (45,343)
Share-based compensation	948,200	-	948,200
Investor relations and communications	56,530	67,083	(10,553)
Office and sundry	15,492	15,190	302
Professional fees	35,892	35,575	317
Regulatory compliance	84,175	93,837	(9,662)
Travel and accommodations	15,412	12,607	2,805
	<b>\$ 1,316,310</b>	<b>\$ 430,244</b>	<b>\$ 886,066</b>

Net loss for the six months ended June 30, 2018 was \$719,145 or \$0.01 per share compared to net income of \$230,682 or \$0.00 per share in 2017.

The Corporation also recognized other comprehensive loss of \$124,153 in the six months ended June 30, 2018 (2017 – comprehensive loss of \$211,053) related to realized gain on sale and fair value adjustment on available-for-sale marketable securities. In the prior year, the Corporation recognized other comprehensive loss of \$519,981 related to the realized gain on collection of the Kameron milestone payment and comprehensive gains on the fair value adjustment of the outstanding Kameron receivable (\$75,951) and on available-for-sale marketable securities (\$232,977). Total comprehensive loss for the period ended June 30, 2018 was \$843,298 compared to income of \$19,629 for the same period in 2017.

## Summary of Quarterly Results

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

	Fiscal 2018		Fiscal 2017				Fiscal 2016	
	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep
Revenue	\$ 241	\$ 190	\$ 121	\$ 41	\$ 4	\$ -	\$ -	\$ -
Net income (loss)	\$ (715)	\$ (4)	\$ 300	\$ (98)	\$ (91)	\$ 443	\$ (139)	\$ (283)
Basic income (loss) per share	\$ (0.01)	\$ -	\$ -	\$ -	\$ -	\$ 0.01	\$ -	\$ (0.01)
Diluted income (loss) per share	\$ (0.01)	\$ -	\$ -	\$ -	\$ -	\$ 0.01	\$ -	\$ (0.01)
Total assets	\$ 3,640	\$ 4,039	\$ 4,274	\$ 4,678	\$ 4,613	\$ 4,662	\$ 4,694	\$ 4,638
Cash dividends declared	\$ 134	\$ 136	\$ 272	\$ -	\$ -	\$ -	\$ -	\$ -

The Corporation's expenditures and net loss vary from quarter to quarter depending largely on the size of royalty payments and corporate and administrative support required with respect to its core assets. The net loss in the second quarter of 2018 is driven primarily by share-based compensation of \$948,200. The net incomes in the first and fourth quarters of 2017 are primarily realized gains on receipt of the milestone payments from Kameron. 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 June 30, 2018, the Corporation had working capital of approximately \$3.5 million, compared to \$4.2 million at December 31, 2017.

As of the date of this MD&A, the Corporation had working capital of approximately \$3.5 million, which is expected to meet the Corporation's operating requirements into 2019. The Corporation may also continue to use its cash resources to acquire outstanding common shares under its Normal Course Issuer Bid ("NCIB") (see Outstanding Share Data) and pay dividends.

Subject to all the risks and uncertainties outlined in greater detail elsewhere in this MD&A, potential future royalties from the Donkin Mine could range from \$4.0 to \$8.0 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.

In the third quarter of 2017, Vulcan began paying Morien a minimum royalty of \$25,000 per quarter until sales commence from the BP Project or until the project is terminated. The minimum royalty shall be increased or decreased annually in accordance with changes to the PPI (Producer Price Index), commencing July 1, 2018. All minimum royalty payments shall be credited against future production royalty payments due to Morien.

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 has a cash balance sufficient to cover operating costs into 2019 and two core assets in the form of royalty interests in the Donkin Mine and Black Point Project. The Corporation is focused on identifying additional mineral and royalty assets to purchase, which will complement the Corporation's existing assets. How the Corporation funds future acquisitions (either by cash, shares or a combination) will depend on numerous factors, including the size of the transaction and the share price of Morien at the time of consideration.

The Corporation also has an active NCIB in place and may continue to purchase outstanding common shares under the NCIB if/when management feels the purchases represent the best value to shareholders. The Corporation adopted a Dividend Policy in Q4 2017 and intends to issue set quarterly dividend payments for 2018. It is the Corporation's intention to transition its dividend from a set quarterly amount to a percentage of free cash flow commensurate with Donkin Mine production expansion.

## **Contractual Obligations**

In 2012, the Corporation signed a management services agreement with Erdene Resource Development Corp. for management personnel, office space and sundry costs. For the year ended December 31, 2017, the fee charged by Erdene amounted to \$264,594 (2016 - \$277,814) and is expected to be approximately \$225,000 in 2018, which the Corporation expects to satisfy from its current cash resources.

## **Off-Balance Sheet Arrangements**

As at March 31, 2018, the Corporation had no 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.

## **Dividends**

In December 2017, the Corporation approved the implementation of a dividend policy and made its inaugural dividend payment on December 27, 2017.

In 2018 it is the Corporation's intention to pay quarterly dividends of \$0.0025 per common share. As of the data of this MDA, the Corporation has made two quarterly dividend payments of \$0.0025 per common share; March 27, 2018, and June 29, 2018. It is the Corporation's intention to transition its dividend from a set quarterly amount to a percentage of free cash flow commensurate with Donkin Mine production expansion. The dividend is intended to be variable and in relation to mine production and coal prices, being highly leveraged to the seaborne metallurgical coal market.

All future dividends will be subject to the Corporation's Board of Director's determination that the payment of a dividend is in the best interest of the Corporation and its shareholders, having regard to the Corporation's cash reserves, anticipated financial requirements, legal requirements for the declaration of dividends and other conditions existing at such time, including forward coal production guidance from Kameron. The Corporation's dividend payments will qualify as an 'eligible dividend' for Canadian income tax purposes.

## **Outstanding Share Data**

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

On January 29, 2018, the Corporation filed a notice of intention to acquire up to 4,200,000 common shares pursuant to a Normal Course Issuer Bid ("NCIB"), which expires on January 31, 2019. Purchases pursuant to the NCIB are made in the open market through the facilities of the TSX Venture Exchange. A copy of the notice is available to shareholders, without charge, upon request to the Corporation at 99 Wyse Rd., Suite 1480, Dartmouth, NS, B3A 4S5.

For the six months ended June 30, 2018, the Corporation's NCIB purchased for cancellation a total of 842,500 shares at an average price of \$0.59 per share. Subsequent to June 30, 2018, to the date of this MD&A, the Corporation purchased and cancelled 109,000 shares at an average cost of \$0.50.

### **Share Capital:**

As of the date of this MD&A, the Corporation had 53,451,114 common shares issued and outstanding.

### **Stock Options:**

On May 11, 2018 the Corporation issued 2,285,000 fully vested stock options with a five-year term and an exercise price of \$0.60. Share-based compensation of \$948,200 was recognized as corporate and administration expenses and an increase to contributed surplus in Q2 2018 (Q2 2017 – Nil). As of the date of this MD&A, the Corporation had 4,442,500 stock options outstanding with an average exercise price of \$0.43, all of which were exercisable.



## **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.

### **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**

Each reporting period the Corporation revalued the remaining milestone payments owed to the Corporation by Kameron by applying a probability assessment. In February 2017, the Corporation received \$2.0 million of the remaining \$3.5 million due from Kameron and therefore management increased the probability of collection of this amount from 80% to 100% in the 2016 financial statements. The fair value adjustment was recorded, net of any tax effect, in accumulated other comprehensive income (loss) until the funds were received, at which point the adjustment flowed through the statement of income (loss). In December 2017, the Corporation collected the final milestone payment of \$1.5 million from Kameron. Receipt of this payment resulted in a fair value adjustment of \$235,809 in 2017. As a result of collecting the remaining milestone payments from Kameron, the Corporation realized a gain of \$991,137 in 2017.

### **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 statement of financial position. 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 royalty revenues, 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 the entire 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 following new standards and amendments to standards and interpretations under IFRS were adopted for the period beginning January 1, 2018.

### **IFRS 15 – Revenue from Contracts with Customers**

This standard provides a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. Adoption did not have a material impact to the financial statements.

### **IFRS 9 - Financial Instruments**

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. Adoption did not have a material impact to the financial statements.

### **IAS 12 - Income Taxes**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Adoption did not have a material impact to the financial statements.

### **IFRS 2 – Share-based Payments**

The IASB issued amendments to IFRS 2, Share-based Payments, to clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including; accounting for cash settled share-based payments, classification of share-based payments settled net of tax obligations, and accounting for modifications of share-based payment transactions from cash-settled to equity. Adoption did not have a material impact to the financial statements.

## **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: (a) that material information about the Corporation and its subsidiaries would have been made known to them, and; (b) 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, marketable securities and long-term receivables. The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash	\$ 3,359,606	\$ -	\$ -	\$ 3,856,941	\$ -	\$ -
Marketable securities	-	-	-	278,487	-	-

### 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.

#### Credit risk:

The Corporation's credit risk is primarily attributable to cash and receivables as shown in the table below.

	June 30, 2018	December 31, 2017
Cash	\$3,359,606	\$ 3,856,941
Receivables	273,837	109,819
	\$3,633,443	\$ 3,966,760

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 royalty payments from Kameron and Black Point. The credit risk on the Kameron receivables is considered to be low.

## **Risks (continued)**

### **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 June 30, 2018, the Corporation had a cash balance of \$3,356,314 (December 31, 2017- \$3,856,941) to settle current liabilities of \$116,905 (December 31, 2017 - \$77,736).

The Corporation holds marketable securities with a fair market value of as at June 30, 2018 of nil (December 31, 2017 - \$278,487).

### **Foreign currency risk:**

Morien operates in Canada, and its equity financings have been 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 \$172,372 at June 30, 2018 (December 31, 2017 - \$164,655). Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately \$17,200 (December 31, 2017 - \$16,500).

### **Commodity price risk:**

The Corporation 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 Corporation monitors prices for the commodities underlying the Corporation's royalties. At this point the Corporation doesn't enter into any hedging to offset risk.

### **Equity price risk:**

As of June 30, 2018, the Corporation has no exposure to equity price risk through its marketable securities. Based on its holdings as of December 31, 2017, sensitivity to a plus or minus 10% change in the market value of its marketable securities would affect comprehensive loss by approximately \$27,800. The Corporation manages exposure to equity price risk within acceptable parameters as approved by the Board of Directors.

## **Other Risk Factors:**

### **Dependence on Third Party Property Owners and Operators**

The Corporation is not the operator of the Donkin Coal Mine or Black Point Project. There is no assurance that the current operators, or their successors, if any, will continue with the development of the projects in a manner that is beneficial, or most beneficial, to the Corporation.

The revenue derived from the Corporation's royalty portfolio is and will be based on the activities of third party property owners and operators. These owners and operators are responsible for determining the manner in which the properties underlying the royalties are exploited, including decisions to commence, expand, continue or reduce production from a property, and decisions to advance exploration efforts and/or conduct development of non-producing properties. The Corporation will have little or no input on such matters. The interests of third party owners and operators and those of the Corporation on the relevant properties may not always be aligned. As an example, it will, in almost all

cases, be in the interest of the Corporation to advance development and production on properties as rapidly as possible in order to maximize near term cash flow, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Corporation to control the operations for the properties in which it has a royalty interest may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition.

Similarly, where the Corporation's interest in a mineral property is a royalty interest, there is a risk that the third-party operator may be unable or unwilling to fulfill its obligations under its agreements with the Corporation, or experience financial, operational or other difficulties including insolvency, which could limit the third party's ability to perform its obligations under the royalty interest. The Corporation will not be entitled to any compensation if the operations shut down or the third-party operators discontinue their operations on a temporary or permanent basis. At any time, any operator of a property in which the Corporation has a royalty or net profit interest may decide to suspend or discontinue operations.

### **Limited Access to Data and Disclosure for Royalty Portfolio**

The Corporation is neither the property owner nor operator for the properties underlying its royalty portfolio, and the Corporation has no input into how the operations are conducted. Also, the Corporation has varying access to data on the operations or to the actual properties themselves. This will affect its ability to assess the value of the royalty interest or enhance the royalty's performance. This could also result in delays in cash flow from that anticipated by the Corporation based on the stage of development of the applicable properties underlying its royalty portfolio. The Corporation's royalty payments may be calculated by the royalty payers in a manner different from the Corporation's projections. The limited access to data and disclosure regarding the operations of the properties in which the Corporation has an interest may restrict the Corporation's ability to assess the value or enhance its performance, which may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition.

### **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).