Morien
Resources Corp.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

*(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 June 30, 2019 and December 31, 2018 (audited) and the unaudited condensed interim consolidated statements of comprehensive loss, change in equity and cash flows for the three and six months ended June 30, 2019 and 2018. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 30, 2019 and 2018 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**

(Unaudited – in Canadian dollars)

| | June 30 2019 $ | December 31 2018 $ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **2,892,687** | 3,070,981 |
| Trade receivables | **167,307** | 342,593 |
| Prepaid expenses | **8,158** | 15,718 |
| **Total assets** | **3,068,152** | 3,429,292 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Trade and other payables | **169,415** | 121,246 |
| Unearned revenue [note 4] | **205,435** | 150,000 |
| **Total liabilities** | **374,850** | 271,246 |
| | | |
| **Shareholders' equity** | | |
| Share capital | **4,375,549** | 4,026,932 |
| Contributed surplus | **2,015,580** | 2,109,815 |
| Deficit | **(3,697,827)** | (2,978,701) |
| **Total shareholders' equity** | **2,693,302** | 3,158,046 |
| **Total liabilities and shareholders' equity** | **3,068,152** | 3,429,292 |

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

On behalf of the Board:

/s/ *John P. Byrne*
John P. Byrne, Director

/s/ *Charles Pitcher*
Charles Pitcher, Director

**MORIEN RESOURCES CORP.**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited – in Canadian dollars)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | 2018 As Restated Note 3 | **2019** | 2018 As Restated Note 3 |
| | **$** | $ | **$** | $ |
| **Royalty revenue** [note 5] | **118,959** | 216,085 | **287,809** | 381,430 |
| **OPERATING EXPENSES** | | | | |
| Corporate and administration | **207,612** | 166,367 | **394,921** | 368,010 |
| Exploration and evaluation | **56,494** | — | **96,812** | — |
| Share-based compensation [note 6] | **—** | 948,200 | **58,600** | 948,200 |
| Foreign exchange loss (gain) | **232** | (3,292) | **3,126** | (7,834) |
| | **264,338** | 1,111,275 | **553,459** | 1,308,376 |
| Finance income | **17,211** | 13,700 | **32,698** | 28,406 |
| Loss from operations | **(128,168)** | (881,490) | **(232,952)** | (898,540) |
| Realized gain on available-for-sale marketable securities | **—** | 81,957 | **—** | 5,242 |
| **Net and comprehensive loss for the period** | **(128,168)** | (799,533) | **(232,952)** | (893,298) |
| Basic and fully diluted loss per share | **(0.00)** | (0.01) | **(0.00)** | (0.02) |
| Weighted average number of common shares outstanding *[000's]* | | | | |
| Basic | **53,621** | 54,052 | **53,308** | 54,226 |
| Diluted | **57,228** | 56,210 | **57,298** | 56,384 |

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

**MORIEN RESOURCES CORP.**

**Condensed Interim Consolidated Statement of Changes in Equity**

(Unaudited – in Canadian dollars)

| | Common shares | | Contributed surplus | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|
| | # | $ | $ | $ | $ |
| Balance at January 1, 2018 | 54,402,614 | 4,036,415 | 1,243,925 | (1,134,465) | 4,145,875 |
| Net loss for the period restated [note 3] | — | — | — | (893,298) | (893,298) |
| Dividends paid to shareholders | — | — | — | (269,907) | (269,907) |
| Normal course issuer bid purchase of common shares | (842,500) | (63,988) | — | (443,870) | (507,858) |
| Share-based compensation | — | — | 948,200 | — | 948,200 |
| Balance at June 30, 2018 | 53,560,114 | 3,972,427 | 2,192,125 | (2,741,540) | 3,423,012 |
| **Balance at January 1, 2019** | **53,131,114** | **4,026,932** | **2,109,815** | **(2,978,701)** | **3,158,046** |
| Net loss for the period | — | — | — | (232,952) | (232,952) |
| Dividends paid to shareholders | — | — | — | (266,660) | (266,660) |
| Normal course issuer bid purchase of common shares | (534,500) | (45,655) | — | (219,514) | (265,169) |
| Options exercised | 965,750 | 394,272 | (152,835) | — | 241,437 |
| Share-based compensation [note 6] | — | — | 58,600 | — | 58,600 |
| **Balance at June 30, 2019** | **53,562,364** | **4,375,549** | **2,015,580** | **(3,697,827)** | **2,693,302** |

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

**MORIEN RESOURCES CORP.**
**Condensed Interim Consolidated Statements of Cash Flows**
(Unaudited - in Canadian dollars)

| | Six months ended June 30 | |
|---|---|---|
| | **2019** | 2018 As Restated Note 3 |
| | **$** | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | **(232,952)** | (893,298) |
| Items not involving cash: | | |
| Share-based compensation [note 6] | **58,600** | 948,200 |
| Additions to unearned revenue [note 4] | **55,435** | 50,000 |
| Net finance income | **(32,698)** | (28,406) |
| Realized gain on available-for-sale marketable securities | — | (5,242) |
| Net change in non-cash working capital | **231,015** | (102,959) |
| **Cash provided by (used in) operating activities** | **79,400** | (31,705) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from exercise of stock options | **241,437** | — |
| Dividends paid | **(266,660)** | (269,907) |
| Purchase of shares for cancellation | **(265,169)** | (507,858) |
| **Cash used in financing activities** | **(290,392)** | (777,765) |
| **INVESTING ACTIVITIES** | | |
| Proceeds on sale of available-for-sale marketable securities | — | 283,729 |
| Interest received | **32,698** | 28,406 |
| **Cash provided by investing activities** | **32,698** | 312,135 |
| **Net change in cash during the period** | **(178,294)** | (497,335) |
| Cash, beginning of period | **3,070,981** | 3,856,941 |
| **Cash, end of period** | **2,892,687** | 3,359,606 |

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

## 1. Nature of operations

Morien Resources Corp. ("Morien" or the "Corporation") is a corporation domiciled in Canada. 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 June 30, 2019 and 2018 comprise the Corporation and its subsidiary Advanced Primary Minerals USA Corp ("APMUSA"). The principal business of the Corporation is the identification and purchase of mineral projects.

## 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 Corporation's consolidated financial statements for the year ended December 31, 2018. 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 2018 annual consolidated financial statements which have been prepared in accordance with IFRS.

This is the second set of the Corporation's quarterly financial statements in which certain new standards or amendments to standards under IFRS 2, IFRS 9 and IFRS 15, effective January 1, 2018 have been applied to the prior period. Impacts on the prior period comparative financial statements as a result of the changes to the IFRS standards, are described in Note 3.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2019.

## 3. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**Restatement of comparative figures**

During the preparation of the annual consolidated financial statements for the year ended December 31, 2018, the Corporation determined that the initial adoption of IFRS 9 and IFRS 15 on January 1, 2018 had not been correctly accounted for. As a result, the consolidated financial statements for the 2018 prior period have been restated to conform with the new accounting policies.

IFRS 9 - Financial Instruments

The adoption of IFRS 9 in 2018 requires changes in fair value of equity investments to be recognized in profit or loss. The realized gain on available-for-sale marketable securities of $5,242, recognized for the six months ended June 30, 2018, is restated from other comprehensive income to profit and loss, with no effect on the total comprehensive loss.

(Unaudited - in Canadian dollars)

**3. Summary of significant accounting policies (continued)**

IFRS 15 - Revenue from Contracts with Customers

Under the terms of the Black Point Aggregate Project ("Black Point") royalty agreement with Vulcan Materials Company ("Vulcan"), the Corporation receives advanced minimum royalty payments ("Advanced Payments") until the project goes into production. Black Point is not currently in production; at such time when production starts, the unearned revenue from the Advanced Payments will be recorded as revenue as the production royalties are earned. With the adoption of IFRS 15 in 2018, the Black Point Advanced Payments are classified as unearned revenue (see Note 5 – Unearned revenue). The Advanced Payments of $50,000 for the six months ended June 30, 2018 were restated as unearned revenue, increasing the net loss by $50,000.

The following table outlines the impact of the adjustments by financial statement line item in the Corporation's condensed interim consolidated statement of comprehensive loss and the condensed interim consolidated statement of cash flows for the six months ended June 30, 2018. Only those line items impacted by the restatement have been disclosed.

| **Condensed Interim Consolidated Statements of Comprehensive Loss** | As Previously Reported $ | IFRS 9 Adjustments $ | IFRS 15 Adjustments $ | **As Restated $** |
|---|---|---|---|---|
| Royalty revenue | 431,430 | — | (50,000) | **381,430** |
| Loss from operations | (848,540) | — | (50,000) | **(898,540)** |
| Realized gain on available-for-sale marketable securities | 152,169 | (146,927) | — | **5,242** |
| Net loss before tax | (696,371) | (146,927) | (50,000) | **(893,298)** |
| Deferred income tax expense | 22,774 | (22,774) | — | **—** |
| Net loss for the period | (719,145) | (124,153) | (50,000) | **(893,298)** |
| Realized gain on available-for-sale marketable securities | (59,329) | 59,329 | — | **—** |
| Fair value adjustment on available-for-sale marketable securities | (64,824) | 64,824 | — | **—** |
| Other comprehensive loss | (124,153) | 124,153 | — | **—** |
| Total comprehensive loss | (843,298) | — | (50,000) | **(893,298)** |

| **Condensed Interim Consolidated Statements of Cash Flows** | As Previously Reported | IFRS 9 Adjustments | IFRS 15 Adjustments | **As Restated** |
|---|---|---|---|---|
| Cash used in operating activities: | | | | |
| Net loss for the period | (719,145) | (124,153) | (50,000) | **(893,298)** |
| Deferred income taxes | 22,774 | (22,774) | — | — |
| Realized gain on available-for-sale marketable securities | (152,169) | 146,927 | — | **(5,242)** |
| Additions to unearned revenue | — | — | 50,000 | **50,000** |

(Unaudited - in Canadian dollars)

## 3. Summary of significant accounting policies (continued)

### Future changes in accounting policies

IFRS 16 - Leases

IFRS 16 - Leases ("IFRS 16") will replace existing guidance in IFRS and related interpretations and requires lessees to bring most leases on the balance sheet. Lessor accounting remains similar to the current standard. The new standard is effective for the Corporation's fiscal year beginning on January 1, 2019 and is to be applied retrospectively. The new standard had no impact on the Corporation's condensed consolidated interim financial statements.

IFRIC Interpretation 23 - Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued IFRS Interpretations Committee Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23"), which is applied to the determination of taxable profit or loss, unused tax losses, unused tax credits, tax rates and tax bases, when there is uncertainty about income tax treatment under IAS 12 Income Taxes. IFRIC 23 is effective for the Corporation's fiscal year beginning on January 1, 2019 and is to be applied retrospectively. The new standard had no impact on the Corporation's condensed consolidated interim financial statements.

## 4. Unearned revenue

The Corporation received Advanced Payments for the six months ended June 30, 2019 of $55,435 (2018 – $50,000), in relation to its interest in Black Point. All Advanced Payments will be credited against future production royalties from Black Point and are therefore recorded as unearned revenue until such time Black Point begins production. The balance of unearned revenue relates solely to the cumulative Black Point Advanced Payments received since 2017.

## 5. Royalty revenue

| | **Six months ended June 30** | |
|---|---|---|
| | **2019** | 2018<br>As Restated<br>Note 3 |
| | **$** | $ |
| Donkin Mine (Kameron Collieries) | **287,809** | 381,430 |

In 2017 the Donkin Coal Mine went into commercial production. The Corporation receives a quarterly royalty on sales based on 2% of the first 500,000 tonnes of coal sales (net of certain coal handling and transportation costs) per calendar quarter and 4% of the revenue from coal sales from quarterly tonnage above 500,000 tonnes, net of certain coal handling and transportation costs.

## 6. Stock options

The Corporation has an incentive stock option plan whereby it can grant options to employees, officers, directors and consultants of Morien to acquire up to 10% of the outstanding shares at the time of grant. The Board of Directors of the Corporation shall determine the exercise price, term and vesting provisions of options granted. Under Morien's stock option plan, the exercise price of each option may not be less than the market price of its shares at the date of grant less a discount permitted by the TSX-V. Options granted under the Morien plan will have a term not to exceed 5 years so long as the Corporation is classified as a Tier 2 issuer by the TSX-V.

(Unaudited - in Canadian dollars)

## 6. Stock options (continued)

The following table summarizes the changes in the outstanding stock options for the six months ended June 30, 2019:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding at December 31, 2018 | 4,192,500 | 0.44 |
| Granted | 200,000 | 0.48 |
| Outstanding at March 31, 2019 | 4,392,500 | 0.44 |
| Exercised | (965,750) | 0.25 |
| Outstanding at June 30, 2019 | 3,426,750 | 0.50 |

The following is a summary of the outstanding stock options as at June 30, 2019:

| Expiry date | Number of options outstanding | Weighted average exercise price $ | Remaining contractual life (years) |
|---|---|---|---|
| October 6, 2019 | 666,750 | 0.25 | 0.27 |
| January 26, 2021 | 125,000 | 0.22 | 1.58 |
| June 30, 2021 | 150,000 | 0.31 | 2.00 |
| May 11, 2023 | 2,285,000 | 0.60 | 3.87 |
| January 7, 2024 | 200,000 | 0.48 | 4.53 |
| | 3,426,750 | 0.50 | 3.04 |

Share-based compensation

On January 7, 2019, the Corporation granted 200,000 share purchase options with an exercise price of $0.48 to an officer of the Corporation. The options expire January 7, 2024 and vested immediately. Share-based compensation expense was $58,600 for the six months ended June 30, 2019 (2018 - $948,200). The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

| | **Six months ended June 30, 2019** |
|---|---|
| Share price at grant date | $0.46 |
| Exercise price | $0.48 |
| Risk-free interest rate | 1.91% |
| Expected life | 5.0 |
| Expected volatility | 98% |
| Weighted average grant date fair value | $0.29 |

Expected volatility is estimated by considering historic average share price volatility.

## 7. Financial instruments

**Credit risk:**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligations.

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

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | **$** | $ |
| Cash | **2,892,687** | 3,070,981 |
| Trade receivables | **167,307** | 342,593 |
| | **3,059,994** | 3,413,574 |

The Corporation manages credit risk by holding the majority of its cash with Schedule 1 banks in Canada, where management believes the risk of loss to be low. Receivables include royalty payments from Kameron. The credit risk on the Kameron receivables is considered to be low.

**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, 2019, the Corporation had a cash balance of $2,892,687 (December 31, 2018 - $3,070,981) to settle current liabilities of $169,415 (December 31, 2018 - $121,246).

**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 as follows:

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | **$** | $ |
| Cash | **51,185** | 140,814 |

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately $5,120 (December 31, 2018 - $14,100).

(Unaudited - in Canadian dollars)

**7. Financial instruments (continued)**

(c) 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.

(d) Equity price risk

The Corporation is exposed to equity price risk through its marketable securities which it holds from time to time. The Corporation manages exposure to equity price risk within acceptable parameters as approved by the Board of Directors.

**Fair value**

During the period ended June 30, 2019 and year ended December 31, 2018, 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.

| | **June 30, 2019** | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | Level 1 | Level 2 | Level 3 |
| | **$** | **$** | **$** | $ | $ | $ |
| Financial assets: | | | | | | |
| Cash | **2,892,687** | **—** | **—** | 3,070,981 | — | — |